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# GENERAL FUND LEGISLATIVE ACTION – AN OVERVIEW

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## 2001 Biennium Fiscal Outlook

A moderately healthy state economy coupled with slowing caseload/school enrollment demands enabled the Fifty-sixth Legislature to address budget issues without the chronic general fund budget deficit problems that plagued Montana for several biennia prior to the 1995 session. This section highlights the Fifty-sixth Legislature's response to the state's general fund fiscal outlook, while the remainder of this overview volume characterizes the legislature's 2001 biennium budget response in several categories, including budget comparisons (to prior biennia and to the executive recommendation), appropriations and revenue summaries, and a review and discussion of some of the major fiscal policy changes and issues dealt with by the legislature. It also includes a 2003 biennium preliminary projection and a general reference section.

A combination of a moderate state economy beginning with the 1997 biennium and the achievement of a nearly structurally balanced general fund cash flow over the past two biennia resulted in the improved fiscal outlook as the 1999 legislature convened to establish the 2001 biennium budget. The economic outlook calls for a moderated but continued growth in the state economy, as tourism and other staple state industries continue to show a positive outlook, albeit with some uncertainty. State revenues follow suit with a moderate growth pattern. At the same time, two areas of the budget that have traditionally consumed a large portion of available general fund to meet present law needs – public school aid and human services – grew at either very low or even negative levels, reducing the pressure on non-discretionary budget growth.

Consequently, the legislature was provided with an opportunity for discretionary changes in government expenditures that it had not experienced in several biennia.

Pre-session general fund estimates projected an ending fund balance of \$191 million at the base level of services.

After allowing for an ending fund balance of \$51 million, this left the legislature with an approximate \$140 million in available funds over proposed present law needs, as shown in Table 1.

## Budget Challenges

Even though the 1999 legislature was afforded a budget "surplus" over present law needs, the clear mood of the legislature was one of seeking tax reform in the form of tax relief and a desire for fiscal constraint and control of government budget growth. This desire for constraint had to be balanced against chronic demands for increased government services. Specific budget challenges and uncertainties facing the 1999 legislature included:

- Tax reform concerns and tax relief that have been a swirling controversy for several biennia, particularly in property taxes
- Funding for schools as there was a strong support for expansion of state school funding support
- Adequacy of the ending fund balance reserve, particularly in view of the economic uncertainties regarding Montana's economy
- Mental health managed care and the failure of the existing contract with a private provider
- Continuing growth of the corrections populations
- Statistics showing Montana's personal income growth and per capita income nearly the lowest of any state, and the appropriate role of government in economic development initiatives.

## Legislative Solution

The legislature addressed all of these challenges beginning with the \$140 million projected fund availability and adjourned with a projected ending fund balance of over \$51 million. The initiatives used to achieve this objective are summarized in the categories shown in Table 1 and are explained below.<sup>1</sup>

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<sup>1</sup> (Please note that the increase in general fund disbursements is compared to the fiscal 1998 base. Because appropriations in fiscal 1999 exceed actual expenditures in fiscal 1998, a comparison of the 2001 biennium to the 1999 biennium would yield an increase in general fund HB 2 [plus other bills] disbursements of \$101.0 million.

# GENERAL FUND LEGISLATIVE ACTION – AN OVERVIEW

Table 1	
Legislative Action Summary	
General Fund 2001 Biennium	
In Millions	
Fund Balance Before Legislative Action	\$191.181
Fund Balance After Legislative Action	<u>51.532</u>
Total Funds Available	\$139.649
<u>Legislative Action</u>	
Revenue	
Estimate Revisions	116.570
Residual Equity Transfers	(3.616)
Accounting Procedure Change	9.931
Net Tax Policy Changes	<u>(29.622)</u>
Disbursements	
HB2 General Appropriations *	(132.291)
HB13 Pay Proposal	(21.903)
HB14&15 Debt Service	(3.510)
SB184 Local Reimbursements	(72.814)
---- Cats and Dogs	(3.794)
---- All Other	<u>1.398</u>
Totals	(\$139.651)
* Includes SB81, SB100, BASE Aid of SB184	

## Revenue Estimate Revisions

The legislature adopted revised revenue estimates for income tax, inheritance tax, and anticipated revenues from the tobacco settlement that increased anticipated revenues by over \$116 million. For additional information, see the General Fund Revenues section in Volume 1 of this report.

## Accounting Procedure Change

The legislature adopted a statutory change that eliminated the requirement for a general fund reserve of nearly \$10 million no longer needed as a set-aside until federal payments are received. This provided a one-time infusion of general fund revenue.

## Tax Changes

The legislature provided a net reduction in revenues of nearly \$30.0 million in general fund tax relief to taxpayers, primarily in property tax reductions. See the

“Tax Policy and Initiatives” section in Volume 1 of this report for additional information.

## New Initiatives

The legislature approved increases in state expenditures of over \$132 million, including \$31.8 million over the base for corrections. New initiatives included increased BASE funding for public schools, additional community college and student aid support in higher education, a new health insurance program for children, tobacco prevention programs, and expanded community corrections.

## State Employee Pay Plan

The legislature provided state employees with a 3 percent salary increase, as well as an increase in insurance contributions and a longevity adjustment totaling \$21.9 million general fund (\$46.1 million total funds).

## Debt Service

The legislature approved increases for general fund debt service totaling \$3.6 million for Long-Range Building and Information Technology general obligation bond issues anticipated for the 2001 biennium. When all bonds authorized are fully issued, the general fund debt service increase will total approximately \$5.1 million

## Local reimbursements

In addition to the nearly \$30 million general fund revenue reductions for tax relief discussed above, local government tax revenues were reduced by \$139 million. To compensate for the revenue loss, the legislature appropriated \$73 million in SB 184 as partial reimbursement to local governments.

The following discussion provides additional detail on fund balance history and revenue and disbursement actions by the legislature to achieve the target 2001 biennium ending fund balance.

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# GENERAL FUND SUMMARY - Fund Balance

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## Introduction

The general fund is the primary account that funds a majority of the general operations of state government. General fund expenditures represent approximately 41 percent of all state expenditures in the general, state special, federal special, and selected proprietary fund types. Total revenues to the account for the 2001 biennium are estimated to exceed \$2.2 billion, which is an increase of \$122.1 million or 5.8 percent from the 1999 biennium. Balancing general fund appropriations against anticipated revenues is a major challenge of each legislature and requires a significant coordination between the taxation and appropriation committees. Based on legislative adopted revenue estimates, there are sufficient revenues to support the total general fund budget, leaving an ending fund balance of \$51.5 million. This projected balance includes an estimated one-time revenue gain of \$30.0 million due to the utility generation asset sale and \$66.8 million of anticipated revenue from the "State Tobacco Settlement".

This section provides a summary of the general fund account as projected through the 2001 biennium. It begins with a reconciliation of the current (1999 biennium) projected fund balance in order to arrive at the beginning balance for the 2001 biennium. It is followed by a summary of the 2001 biennium projected general fund balance using legislative adopted revenue estimates and appropriations. An overview of significant legislative revenue and disbursement actions is included.

## 1999 Biennium General Fund Balance

After completion of the Fifty-fifth Legislative Session, the general fund balance was projected to be \$24.5 million. This balance was based on: 1) revenue estimates adopted in HJR 2; 2) LFD statutory appropriation and reversion estimates; and 3) all general fund appropriations authorized by the legislature. The Fifty-fifth Legislature did not anticipate there would be any supplemental or emergency appropriations requested during the 1999 biennium.

As shown in column 2 of Table 2, the revised general fund balance at the end of the 1999 biennium is projected to be \$71.9 million. The revised projection for the 1999 biennium general fund balance is based on: 1) revenue estimates adopted by the legislature in HJR 2; 2) LFD statutory appropriation and reversion estimates; and 3) general fund appropriations, including supplemental appropriations

adopted by the Fifty-sixth Legislature. This projected balance equals 3.4 percent of anticipated revenues for the 1999 biennium and is \$47.4 million above the balance anticipated by the Fifty-fifth Legislature.

The increase in the projected general fund balance is due to several factors that have transpired since the adjournment of the Fifty-fifth Legislative Session. Total general fund revenues (revenues plus fund balance) are expected to be \$57 million more than anticipated, while disbursements are expected to be \$8.8 million more than authorized by the Fifty-fifth Legislature.

## Improved Revenues

The improved revenue condition can be attributed to four factors. On August 5, 1997, the President signed the Taxpayer Relief Act of 1997 (TRA97). Based on an analysis prepared by the LFD, the impact of this legislation on Montana's income tax collections for the 1999 biennium is estimated to be an increase of \$11.6 million. The second reason was due to a profit sharing settlement agreement reached between the Columbia Falls aluminum plant and its employees. This agreement resulted in one-time individual income tax collections of approximately \$7.6 million for the 1999 biennium. The third reason was due to one-time revenues from settlement agreements. The general fund account will receive \$1.9 million from the ARCO distribution, \$2.1 million from the Cyprus Mines case, \$1.2 million from the Big Sky coal case, and \$2.1 million from federal forest fire reimbursements. None of the above events were anticipated by the Fifty-fifth Legislature, and they explain about \$26.5 million of the total revenue improvement. The remaining unanticipated difference of \$30.5 million is the result of stronger growth in individual income taxes, inheritance taxes, and short-term investment earnings. Currently, individual income tax collections are exceeding all expectations, presumably from the robust equity markets. Tax return data that will be available later this fall should help explain why individual tax collections are above anticipated levels.

## GENERAL FUND SUMMARY - Fund Balance

<b>Table 2</b> <b>Comparison of 1999 Biennium General Fund Balance</b> <b>Pre-Session Fiscal Report vs. Post Session Fiscal Report</b> In Millions			
	June 1997 Fiscal Report	June 1999 Fiscal Report	Difference
Beginning Fund Balance	\$24.7	\$30.3	\$5.6
Estimated Revenues			
General Fund	\$2,030.2	\$2,102.5	72.3
Residual Equity Transfers	<u>26.3</u>	<u>5.4</u>	<u>(20.9)</u>
<b>Total Rev. Available</b>	\$2,081.2	\$2,138.2	\$57.0
Estimated Disbursements			
State Agencies & University System	\$1,035.4	\$1,033.3	(\$2.1)
Public School Funding			
Direct State Aid	551.7	549.5	(2.2)
Guaranteed Tax Base	280.3	275.8	(4.5)
Special Education	65.0	64.9	(0.1)
Transportation	20.7	20.7	0.0
Other	<u>28.0</u>	<u>25.1</u>	<u>(2.9)</u>
<b>Total Public School</b>	\$945.7	\$936.0	(\$9.7)
Statutory Appropriations			
Personal Property Reimbursement	25.7	25.7	0.0
Police & Firemen Retirement	21.6	22.9	1.3
Debt Service	14.3	18.2	3.9
TRANS	3.6	5.5	1.9
Other	<u>3.9</u>	<u>5.4</u>	<u>1.5</u>
<b>Total Statutory</b>	\$69.1	\$77.7	\$8.6
Legislative Session Costs	5.1	5.6	0.5
Supplementals	0.0	11.5	11.5
Reversions (Included in above)	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total Disbursements</b>	\$2,055.3	\$2,064.1	\$8.8
Adjustments	(1.4)	(2.2)	(0.8)
Ending Fund Balance	\$24.5	\$71.9	\$47.4

### Increased Disbursements

The primary reasons for the increased disbursements are: 1) increased statutory appropriations of \$8.6 million; 2) higher than anticipated legislative session costs of \$0.5 million; and 3) supplemental appropriations of 11.5 million. These increased costs were mitigated by higher reversions for public schools and other state agencies of \$11.8 million.

### 1999 Biennium Projected Fund Balance

As Table 2 shows, the combined impact of higher revenues, greater disbursements, and a \$0.8 million fund balance adjustment is a net increase in the projected fund

balance of \$47.4 million for the 1999 biennium.

### 2001 Biennium Projection

Table 3 shows the 2001 biennium projected balance in the general fund account prior to and after the Fifty-sixth Legislature. The purpose of this comparison is to highlight legislative action that established the 2001 biennium budget.

The pre-session estimate of a \$101.3 million general fund balance was developed under the constraints of Section 5-12-303, MCA. These statutes require the executive and the Legislative Fiscal Analyst to develop and analyze the biennium budget using base, present law, and new proposals as defined in Section 17-7-102, MCA. In essence, the projected balance of \$101.3 million would have been the balance if the legislature had continued state government operations at the "present" authorized level including all existing taxation laws.

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## GENERAL FUND SUMMARY - Fund Balance

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The second estimate of \$51.5 million is the post-session estimate which incorporates all legislation enacted by the Fifty-sixth Legislature. Table 3 highlights significant revenue and disbursement actions. The following discussion briefly explains these actions.

### Significant Revenue Actions

The Fifty-sixth Legislature increased the 2001 biennium general fund revenue estimates by \$82.0 million, primarily due to the inclusion of \$66.8 million in tobacco settlement funds, and higher estimates for individual income tax due to higher than anticipated growth in fiscal 1999. In addition, the legislature passed legislation which significantly reduced general fund revenue from property taxes during the 2001 biennium. The tax policy initiatives enacted will substantially reduce property taxes for businesses, homeowners and light vehicle owners and will reduce production taxes on oil, natural gas, and coal in tax year 1999 and beyond. As a result of these reductions, state general fund revenue will decline by approximately 8.2 percent in fiscal 2000 and 19.5 percent in fiscal 2001, compared to the HJR 2 estimates for the same years.

A more detailed summary of general fund revenues is provided beginning on page 1 of "Revenue Estimates", Volume 1.

### Significant Disbursement Actions

The legislature increased general fund appropriations by about \$142.8 million. This increase was primarily due to new proposals. The largest increases were in corrections and K-12 education schedule increases. The reduction of \$11.3 million in present law adjustments from the executive requested level is primarily due to revised human services costs and lower corrections population projections. The legislature added \$50.4 million of new proposals to fund human service program expansions such as CHIP and to increase the state's K-12 per student schedule amount. The legislature also adopted an employee pay plan for the 2001 biennium. This pay increase is estimated to cost about \$46.1 million, with \$21.9 million being provided by the state general fund. (See "State Employee Pay Plan" in this volume for additional details on employee pay.)

As with previous legislative sessions, there are numerous miscellaneous appropriations ("cats and dogs" bills) that

were discussed throughout the session. The Fifty-sixth Legislature minimized these appropriations and enacted only \$3.8 million of miscellaneous appropriations beyond those for education, pay plan, and local distribution. These bills are discussed in more detail in agency narratives of Volumes 1 and 2 of this publication.

The last significant disbursement change adopted by the legislature was the \$72.8 million general fund appropriation for local government assistance related to tax relief legislation. Although the tax relief measures enacted reduced state property tax revenues, these bills also had the effect of significantly reducing property tax revenue to local taxing jurisdictions. To compensate for a portion of the foregone revenue, the Fifty-sixth Legislature appropriated general funds to supplant these foregone revenues.

### Contingencies

No estimate is included in the projected fund balance for increased expenditures due to emergencies and/or contingencies. These include supplemental budget requests, which historically exceed \$20 million per biennium, with fire suppression costs and other emergencies (such as flooding) being the primary unfunded contingency. Please note that the projection estimate does not take into consideration the additional general fund cost of \$5 million if HB 540 is approved by the electorate for reduced vehicle licensing costs, nor the impact if the trigger mechanism in SB 200 reduces business personal property taxes below 3 percent. Further, it does not take into consideration any appropriations that may be approved in the June 1999 special session related to Crow Tribe tax litigation and water rights compacts.

# GENERAL FUND SUMMARY - Fund Balance

<p align="center"><b>Table 3</b>  <b>Comparison of 2001 Biennium General Fund Balance</b>  <b>Pre-Session vs. Post-Session Budget</b>  In Millions</p>			
Fund Balance Item	Present Law Budget Before Session 2001 Biennium	Total Budget After Session 2001 Biennium	Differences
Beginning Fund Balance	\$37.689	\$71.953	\$34.264
Estimated Revenues			
General Fund per HJR 2	2,172.175	2,254.198	82.023
Significant Revenue Actions			
Property Tax Revisions	0.000	(26.429)	(26.429)
Other Revisions	<u>0.000</u>	<u>(3.182)</u>	<u>(3.182)</u>
Total Changes	0.000	(29.611)	(29.611)
<b>Total Revenue Available</b>	<b>\$2,209.864</b>	<b>\$2,296.540</b>	<b>\$86.676</b>
Estimated Disbursements			
All Agencies			
Present Law	2,029.298	2,017.955	(11.343)
New Proposals	0.000	50.420	50.420
Local Government Reimbursements	0.000	72.814	72.814
Miscellaneous Appropriations	0.000	3.793	3.793
Employee Pay	<u>0.000</u>	<u>21.903</u>	<u>21.903</u>
<b>Total Agencies</b>	<b>\$2,029.298</b>	<b>\$2,166.885</b>	<b>\$137.587</b>
Statutory Appropriations			
Personal Property Reimbursement	21.833	21.833	0.000
Debt Service	27.218	30.921	3.703
TRANS	4.914	4.914	0.000
GABA Local Government	0.702	1.968	1.266
Police & Firement Retirement	24.660	24.660	0.000
Other	<u>3.295</u>	<u>3.295</u>	<u>0.000</u>
<b>Total Statutory</b>	<b>\$82.622</b>	<b>\$87.591</b>	<b>\$4.969</b>
Legislative Session Costs	5.191	5.438	0.247
Supplementals	0.000	0.000	0.000
Reversions	<u>(3.135)</u>	<u>(3.135)</u>	<u>0.000</u>
<b>Total Disbursements</b>	<b>\$2,113.976</b>	<b>\$2,256.779</b>	<b>\$142.803</b>
Adjustments	0.000	9.931	9.931
Residual Equity Transfer	5.455	1.840	(3.615)
State Fund Transfer	0.000	0.000	0.000
Ending Fund Balance	\$101.343	\$51.532	(\$49.811)

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## GENERAL FUND SUMMARY - Fund Balance

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Table 4 shows the general fund one-time appropriations as adopted by the legislature. If these appropriations are funded with the \$30.0 million in one-time revenue (electrical generation asset sale), then the legislature is not funding ongoing costs with one-time revenue. However, since the expenditure proposals shown in Table 3 are less than \$30 million by \$16.3 million, then the task of balancing the general fund budget beyond the 2001 biennium will require a reprioritization of services, since the one-time revenue will not be available in future biennia.

Table 5 shows the detailed general fund balance sheet. The 2001 biennium ending general fund balance is

projected to be \$51.5 million, including all new proposals and initiatives adopted by the legislature. Although this balance indicates the state is in a healthier fiscal position than in past biennia, it should be noted that this projected balance includes \$30.0 million in one-time revenue from the utility generation asset sale and \$66.8 million from the “State Tobacco Settlement”, currently being negotiated. If the \$30.0 million and/or \$66.8 million does not materialize at the full anticipated level, the projected balance could be below the statutory trigger delineated in Section 17-7-140, MCA, which requires the Governor to take steps to reduce appropriations to maintain fund solvency.

Table 4 One-Time Revenues & Expenditures Figures In Millions		
Revenue		
Electrical Generation Asset Sale		\$30.000
Disbursements		
One-Time Appropriations		13.705
	One-Time Revenue Used for Ongoing Costs	\$16.295

# GENERAL FUND SUMMARY - Fund Balance

**Table 5**  
**Estimated General Fund Balance**  
Based on Action By The 56th Legislature (In Millions)

	Actual Fiscal 1998	Estimated Fiscal 1999	Estimated Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 98-99	Estimated Fiscal 00-01
Beginning Fund Balance	\$30.315	\$44.309	\$71.953	\$104.487	\$30.315	\$71.953
Receipts						
Estimated Receipts	1,034.382	1,068.122	1,128.363	1,125.835	2,102.504	2,254.198
Legislation Impacts		(0.011)	(5.366)	(24.245)	(0.011)	(29.611)
Total Available	\$1,064.697	\$1,112.420	\$1,194.950	\$1,206.077	\$2,132.808	\$2,296.540
Disbursements						
General Appropriations	985.281	997.481	1,033.020	1,035.355	1,982.762	2,068.375
Public School Support						
Language Appropriations		0.250			0.250	
Pay Plan Appropriations			6.758	15.145		21.903
Statutory Appropriations						
Income Tax Refund						
Property Tax Reimbursement	12.843	12.843	11.559	10.274	25.686	21.833
Debt Service	4.632	13.552	14.053	16.868	18.184	30.921
TRANS Interest	3.897	1.626	2.435	2.479	5.523	4.914
District Court Reimbursement						
Depository Banking Services	0.737	0.737	0.737	0.737	1.474	1.474
Disaster/Emergency	0.369	1.198			1.567	
Cash Management	0.055	0.055	0.055	0.055	0.110	0.110
State Lands Equalization Payments	0.551	0.561	0.570	0.579	1.112	1.149
GABA Local Government	0.301	0.322	0.962	1.006	0.623	1.968
Police & Firemen Retirement	11.384	11.520	12.010	12.650	22.904	24.660
Highway Patrol Retirement	0.281	0.281	0.281	0.281	0.562	0.562
Miscellaneous Appropriations		1.548	3.372	0.421	1.548	3.793
Local Assistance Appropriations			17.880	54.934		72.814
Supplementals		11.459			11.459	
Feed Bill		5.564		5.438	5.564	5.438
Reversions	0.260	(15.579)	(1.573)	(1.562)	(15.319)	(3.135)
Anticipated Disbursements	\$1,020.591	\$1,043.418	\$1,102.119	\$1,154.660	\$2,064.009	\$2,256.779
Adjustments	(2.233)		9.931		(2.233)	9.931
Residual Equity Transfer	2.436	2.951	1.725	0.115	5.387	1.840
Ending Fund Balance	<u>\$44.309</u>	<u>\$71.953</u>	<u>\$104.487</u>	<u>\$51.532</u>	<u>\$71.953</u>	<u>\$51.532</u>



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# BIENNIAL BUDGET COMPARISONS

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## Introduction

This section summarizes the legislative budget recommendations in comparison to expenditures for the preceding biennium.

The legislature adopted a 2001 biennium budget that is a \$205.8 million, 10 percent increase in general fund and a \$828.8 million, 17 percent increase in total state spending.

The legislative budget for general fund and total spending increases is funded with existing sources of revenue, and the increased spending includes significant new proposals/initiatives in excess of \$390 million for the 2001 biennium.

Although the general fund budget increases over 10 percent, the largest increase is in federal special funds (over 30 percent), primarily due to additional expenditures in: 1) the university system (largely due to an accounting change); 2) the Department of Transportation, primarily for increased construction; and 3) the Department of Public Health and Human Services, primarily increases in Medicaid benefits, developmental disabilities refinancing, children's health insurance and welfare funds. Expenditure increases are discussed in more detail in the Appropriations Summary section of this volume, page 22.

## Comparison Methodology

The state budget is complex, and the methods used to compute the comparisons can vary considerably and be subject to manipulation. The Legislative Finance Committee (LFC) developed a budget comparisons methodology that measures budget performance using total state expenditures for state general operations funded by taxpayer taxes, licenses, and fees. The methodology addresses issues of proper representation, fairness, balance, and consistency.

The procedures developed by the LFC were adopted by the 1997 legislature and became a statutory requirement. These procedures ensure consistency of application and avoid manipulation of comparison information.

The comparisons on the following pages were prepared using the statutory methodology.

## Comparison to 1999 Biennium

Tables 6 and 7 show a comparison of expenditures from the 1999 to the 2001 biennium for general fund and total funds. As shown in the tables, the largest increases are in corrections and education, with education (higher education and public instruction) consuming over 33 percent of the entire general fund increase.

The tables are divided into three sections<sup>2</sup>:

1) The top part of the table includes all appropriations included in HB 2 (the general appropriations act).

2) Because HB 2 does not include all appropriations authorized by the legislature, the second part of the table includes additional legislatively approved items. This section is referred to as "Comparable Adjustments", as they are adjustments that can be compared from one biennium to the other. The total shown in the "Total Legislative Budget Fiscal 00-01" (2001 biennium) column represents all budget amounts adopted by the legislature, except for the non-cash portion of Long-Range Building proposals. (These proposals are specifically excluded from the comparisons because of the spending and timing variability that occurs with most building projects. The expenditures are instead reflected by the debt service paid over the term of any bonding/leasing agreement.) However, the total in the "Total Fiscal 98-99" (1999 biennium) column does not represent all contingent appropriations in that biennium, which are included in the third section.

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<sup>2</sup>1999 biennium budget figures consist of actual fiscal 1998 adjusted expenditures and fiscal 1999 adjusted appropriations. The 2001 biennium totals have been adjusted for agency reorganizations, proprietary fund changes (HB 576) and earmarking/statutory appropriation changes (SB 83). This comparison method follows the statutory prescribed budget comparison methodology. The emphasis is on using comparable levels of expenditure in each biennium, except as noted for "noncomparable" adjustments.

# BIENNIAL BUDGET COMPARISONS

**Table 6**  
**General Fund Comparison**  
**99 Biennium Versus Legislative Budget 01 Biennium**

Agcy Code	Agency Name	Total Adjusted Fiscal 98-99	Total Leg. Budget Fiscal 00-01	Difference 01 Biennium - 99 Biennium	% Change 99 Biennium 01 Biennium
1104	Legislative Branch	12,086,688	13,514,697	1,428,009	11.81%
1112	Consumer Counsel				
2110	Judiciary	14,066,007	16,651,012	2,585,005	18.38%
2115	Montana Chiropractic Legal Panel				
3101	Governors Office	5,735,023	6,996,841	1,261,818	22.00%
3201	Secretary of States Office				
3202	Commissioner of Political Practices	555,586	687,401	131,815	23.73%
3401	State Auditors Office	4,601,084	3,738,504	(862,580)	-18.75%
3501	Office of Public Instruction	941,043,378	961,405,224	20,361,846	2.16%
4107	Crime Control Division	4,284,867	5,045,283	760,416	17.75%
4110	Department of Justice	36,245,941	43,240,941	6,995,000	19.30%
4201	Public Service Regulation				
5102	Commissioner of Higher Education	229,682,694	242,911,472	13,228,778	5.76%
5101	Board of Public Education	247,500	283,768	36,268	14.65%
5113	School for the Deaf & Blind	6,077,147	6,380,601	303,454	4.99%
5114	Montana Arts Council	470,504	537,718	67,214	14.29%
5115	Library Commission	3,035,246	3,370,132	334,886	11.03%
5116	Advisory Council for Vocational Education				
5117	Historical Society	2,994,264	3,405,470	411,206	13.73%
5201	Department of Fish, Wildlife & Parks	810,733	838,054	27,321	3.37%
5301	Department of Environmental Quality	5,087,687	7,386,564	2,298,877	45.19%
5401	Department of Transportation	500,000	500,000		
5603	Department of Livestock	1,039,060	1,372,205	333,145	32.06%
5706	Department of Natural Resources & Conservation	26,388,384	30,473,058	4,084,674	15.48%
5801	Department of Revenue	50,436,383	49,843,657	(592,726)	-1.18%
6101	Department of Administration	8,596,503	8,339,719	(256,784)	-2.99%
6102	Appellate Defender Commission	307,519		(307,519)	-100.00%
6104	Public Employees Retirement Board				
6105	Teachers Retirement Board				
6107	Long-Range Building				
6201	Department of Agriculture	1,004,474	2,078,305	1,073,831	106.90%
6401	Department of Corrections	156,237,588	179,947,597	23,710,009	15.18%
6501	Department of Commerce	3,603,023	4,389,462	786,439	21.83%
6602	Department of Labor & Industry	2,314,244	3,893,961	1,579,717	68.26%
6701	Department of Military Affairs	4,657,295	7,786,373	3,129,078	67.19%
6901	Department of Public Health & Human Services	445,159,664	463,357,259	18,197,595	4.09%
Totals		\$1,967,268,486	\$2,068,375,278	\$101,106,792	5.14%

## Comparable Adjustments

Employee Pay Proposal	Included above	21,903,000	21,903,000	
Statutory Appropriations (Excluding Local Gov.)	25,853,000	37,981,000	12,128,000	46.91%
Local Government Distributions	50,325,000	122,424,000	72,099,000	143.27%
Miscellaneous Appropriations	1,798,000	3,793,000	1,995,000	110.96%
Legislative Session Costs	5,564,000	5,438,000	(126,000)	-2.26%
One-Time Only Costs	15,494,000		(15,494,000)	-100.00%
Anticipated Reversions	(15,319,000)	(3,135,000)	12,184,000	-79.54%
Total With Comparable Adjustments	\$2,050,983,486	\$2,256,779,278	\$205,795,792	10.03%

## Non Comparable Adjustments

Budget Amendments				
Supplementals	11,459,000		(11,459,000)	-100.00%
Disaster/Emergency Costs	1,567,000		(1,567,000)	-100.00%
Total With All Adjustments	\$2,064,009,486	\$2,256,779,278	\$192,769,792	9.34%

# BIENNIAL BUDGET COMPARISONS

**Table 7**  
**All Funds Comparison**  
**99 Biennium Versus Legislative Budget 01 Biennium**

Agcy Code	Agency Name	Total Adjusted Fiscal 98-99	Total Leg. Budget Fiscal 00-01	Difference 01 Biennium - 99 Biennium	% Change 99 Biennium 01 Biennium
1104	Legislative Branch	16,096,389	17,441,232	1,344,843	8.35%
1112	Consumer Counsel	1,991,550	2,147,484	155,934	7.83%
2110	Judiciary	16,380,023	20,286,551	3,906,528	23.85%
2115	Montana Chiropractic Legal Panel	27,002	34,459	7,457	27.62%
3101	Governors Office	6,301,816	7,606,407	1,304,591	20.70%
3201	Secretary of States Office				
3202	Commissioner of Political Practices	555,586	687,401	131,815	23.73%
3401	State Auditors Office	6,188,010	9,102,695	2,914,685	47.10%
3501	Office of Public Instruction	1,085,014,573	1,131,740,394	46,725,821	4.31%
4107	Crime Control Division	19,630,131	25,108,187	5,478,056	27.91%
4110	Department of Justice	80,342,233	88,177,950	7,835,717	9.75%
4201	Public Service Regulation	5,153,149	4,784,713	(368,436)	-7.15%
5102	Commissioner of Higher Education	283,794,964	350,529,051	66,734,087	23.51%
5101	Board of Public Education	604,292	653,747	49,455	8.18%
5113	School for the Deaf & Blind	6,711,629	6,999,525	287,896	4.29%
5114	Montana Arts Council	1,583,730	1,642,701	58,971	3.72%
5115	Library Commission	6,716,869	7,560,839	843,970	12.56%
5116	Advisory Council for Vocational Education				
5117	Historical Society	6,040,985	6,538,672	497,687	8.24%
5201	Department of Fish, Wildlife & Parks	82,080,681	93,766,464	11,685,783	14.24%
5301	Department of Environmental Quality	61,533,726	127,099,839	65,566,113	106.55%
5401	Department of Transportation	683,148,629	872,853,301	189,704,672	27.77%
5603	Department of Livestock	13,418,793	15,638,107	2,219,314	16.54%
5706	Department of Natural Resources & Conservation	54,154,595	63,125,020	8,970,425	16.56%
5801	Department of Revenue	55,219,756	55,731,960	512,204	0.93%
6101	Department of Administration	11,003,750	12,058,709	1,054,959	9.59%
6102	Appellate Defender Commission	307,519	371,240	63,721	20.72%
6104	Public Employees Retirement Board				
6105	Teachers Retirement Board				
6107	Long-Range Building				
6201	Department of Agriculture	17,515,578	22,487,808	4,972,230	28.39%
6401	Department of Corrections	160,666,845	185,565,116	24,898,271	15.50%
6501	Department of Commerce	92,778,494	119,491,666	26,713,172	28.79%
6602	Department of Labor & Industry	80,934,943	96,565,687	15,630,744	19.31%
6701	Department of Military Affairs	16,342,109	24,579,544	8,237,435	50.41%
6901	Department of Public Health & Human Services	1,478,286,557	1,654,529,937	176,243,380	11.92%
	Totals	\$4,350,524,906	\$5,024,906,406	\$674,381,500	15.50%

## Comparable Adjustments

Employee Pay Proposal	Included above	46,061,000	46,061,000	
Statutory Appropriations (Excluding Local Gov.)	68,931,000	79,071,000	10,140,000	14.71%
Local Government Distributions	372,779,000	438,025,000	65,246,000	17.50%
Miscellaneous Appropriations	10,958,000	17,140,000	6,182,000	56.42%
Legislative Session Costs	5,564,000	5,438,000	(126,000)	-2.26%
One-Time Only Costs	68,812,000	83,580,000	14,768,000	21.46%
Anticipated Reversions	(15,319,000)	(3,135,000)	12,184,000	-79.54%
Total With Comparable Adjustments	\$4,862,249,906	\$5,691,086,406	\$828,836,500	17.05%

## Non Comparable Adjustments

Budget Amendments	95,177,000		(95,177,000)	-100.00%
Supplementals	12,149,000		(12,149,000)	-100.00%
Disaster/Emergency Costs	6,378,792		(6,378,792)	-100.00%
Total With All Adjustments	\$4,975,954,698	\$5,691,086,406	\$715,131,708	14.37%

Note : Comparisons do not include disbursements for Long-Range Building projects.

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## BIENNIAL BUDGET COMPARISONS

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3) The third section, "Noncomparable Adjustments" includes all 1999 biennium appropriations, including budget amendments, supplemental appropriations, and disaster/emergency costs that cannot be estimated for the next biennium. Because 2001 biennium expenditures will most likely occur in this category, but cannot be estimated at this time, they are excluded from the comparable adjustments total. Consequently, the increase of 9.3 percent shown for general fund and 14.4 percent for total funds does not represent a true picture of potential growth between biennia.

### *House Bill 2 Comparisons*

As shown in Table 6, the general fund budget for HB 2 increases by \$101.1 million, or 5.1 percent, over the 1999 biennium. This includes \$50.7 million in present law adjustments and \$50.4 million in new proposals. Total funds (Table 7) increases by \$674.4 million, or 15.5 percent, including approximately \$283.8 million in present law adjustments and \$390.6 million in new proposals. See page 22 of this volume for a table and discussion of present law adjustments and new proposals. The largest general fund increases are in: 1) corrections, primarily to address projected increases in both male and female adult populations; 2) public health and human services for direct care workers wage and provider rate increases, Medicaid caseload and costs, and tobacco prevention; and 3) education, due to a recommended K-12 schedule increase and higher education enrollment increases, new student assistance, and other initiatives. The increase in total funds is due to these factors, plus additional federal funds for highway construction, human services, and education. A further discussion of these increases is included in the

Appropriations Summary section of this volume, page \_\_\_\_\_. An agency by agency description of all adjustments is included in the individual agency narratives in Volumes 1 and 2 of this report.

### *Total Comparable Adjustments*

Total comparable adjustments include all miscellaneous appropriations (including the employee pay plan bill and other appropriations bills), statutory appropriations, and other expenditures and adjustments. The legislature adopted \$205.8 million increased general fund expenditures for the 2001 biennium as compared to the 1999 biennium, or an increase of 10.0 percent. The increase in total state funds spending over comparable 1999 biennium spending is \$828.1 million, or 17.1 percent. It should be noted that the

increase in general fund spending includes appropriations of \$78.8 for reimbursements of foregone revenues due to tax revisions, primarily in SB 184.

### *Non-Comparable Expenditures*

"Noncomparable Adjustments" show an increase of 9.3 percent general fund and 14.4 percent total funds between biennia. However, as stated earlier, this comparison tends to be distorted by the lack of comparable information for the 2001 biennium. This section and these comparisons are shown for informational purposes and to complete the listing of 1999 biennium expenditures.

### Comparison Issue

#### *Comparisons vs. Budget Base Adjustments*

The Overview volume compares the 2001 biennium Legislative Budget to the 1999 biennium actual expenditures and adjusted fiscal 1999 appropriations. This method is as prescribed by the budget comparison statute, and upholds the concept of a comparison of the total state budget from biennium to biennium, particularly due to the cyclical nature of annual budgets. However, because the Legislative Budget is prepared using a statutorily defined process, a difference occurs in the total changes indicated in this volume compared to the changes indicated in the individual agency and program budgets discussed in the "Agency Budgets and Analysis" section in Volumes 1 and 2.

Because present law adjustments are added to the base year to determine a present law budget, budget growth (as prescribed by the amount of the adjustments) ignores the intermediate year(s). In this case, fiscal 1999 appropriations are ignored for fiscal 2000 and 2001 budgets. Effectively, this methodology facilitates budget development from a vantage point of recent, actual experience, but overstates true budget growth because all increases are measured from the base year.

Conversely, using the base year plus fiscal 1999 appropriations for budget comparisons more accurately reflects true budget growth. This is because the increases/decreases are measured from a biennium perspective, which takes into account the annual increase from the base year to the fiscal 1999 appropriated amount.

Therefore, while the increases over the base year are a necessary way to make budget decisions, they should not

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## BIENNIAL BUDGET COMPARISONS

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be used as measures of budget growth or for comparison purposes. When making comparisons, the total 2001 biennium recommended budgets should be examined in comparison to the total 1999 biennium, as is presented in this volume.

# REVENUE SUMMARY

## General Fund Revenue Estimates

### House Joint Resolution 2

During November, prior to the convening of the Fifty-sixth Legislature, the Revenue Oversight Committee (ROC) formally adopted economic assumptions and the associated revenue estimates for fiscal 1999, 2000, and 2001. This process is in accordance with 5-18-107, MCA, which states that these estimates constitute the legislature's current

revenue estimates until amended or until final adoption of the estimates by both houses." The actions taken by the ROC were incorporated into HJR 2 and were introduced at the beginning of the Fifty-sixth Legislature. During the legislative process, the legislature adopted HJR 2 with some modifications to the recommendations offered by the ROC. Table 8 shows the total impact of the amendments adopted by revenue category. For the three-year period, fiscal 1999 through 2001, total general fund revenue estimates were increased by \$116.6 million from the recommendations of the ROC.

<b>Table 8</b> <b>Revenue Estimate Adjustments</b> <b>56th Legislature</b> In Millions				
	Estimated Fiscal 1999	Estimated Fiscal 2000	Estimated Fiscal 2001	3-Year Total
Individual Income Tax	\$25.636	\$8.544	\$8.064	\$42.244
Oil Price Revision				
Property Tax	(0.047)	(0.352)	(0.318)	(0.717)
US Federal Royalty	(0.182)	(0.417)	(0.413)	(1.012)
Oil Severance Tax	(0.097)	(0.725)	(0.656)	(1.478)
Inheritance Tax	2.414	0.702	0.757	3.873
TCA Interest Earnings	2.505			2.505
All Other Revenue				
ARCO Distribution	1.176			1.176
Fire Reimbursement	1.088			1.088
Property Tax (Cyprus Mines Case)				
40 Mill Property Tax	0.865			0.865
55 Mill Property Tax	1.189			1.189
Tobacco Settlement	<u>0.000</u>	<u>37.428</u>	<u>29.409</u>	<u>66.837</u>
Total Change From Revenue Oversight Committee	\$34.547	\$45.180	\$36.843	\$116.570

# REVENUE SUMMARY

Table 9 shows the amended total estimates by revenue category as contained in HJR 2. Actual fiscal 1998

collections are shown, along with projections for fiscal 1999 through 2001.

**Table 9**  
**House Joint Resolution 2**  
**General Fund Revenue Estimates**  
Figures In Millions

Source of Revenue	Actual Fiscal 1998	Estimated Fiscal 1999	Estimated Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 98-99	Estimated Fiscal 00-01
Individual Income Tax	444.161	472.703	475.687	496.634	916.864	972.321
Property Tax	202.351	205.547	209.910	218.959	407.898	428.869
Corporation Income Tax	69.725	67.380	95.206	65.739	137.105	160.945
Common School Interest & Income	41.130	41.437	42.657	42.583	82.567	85.240
Permanent Trust Interest Earnings	40.746	40.528	41.022	41.941	81.274	82.963
Insurance Premiums Tax	36.813	37.445	38.629	39.226	74.258	77.855
All Other Revenue	25.428	31.235	55.495	47.464	56.663	102.959
US Federal Royalty	22.241	19.039	18.492	18.245	41.280	36.737
TCA Interest Earnings	18.247	17.425	14.621	14.733	35.672	29.354
Inheritance Tax	15.727	17.679	16.733	17.878	33.406	34.611
Video Gaming Tax	12.256	12.748	13.389	14.030	25.004	27.419
Motor Vehicle License Fee	10.778	10.957	11.191	11.406	21.735	22.597
Institution Reimbursements	10.335	11.314	9.697	10.041	21.649	19.738
Cigarette Tax	9.544	9.676	9.810	9.946	19.220	19.756
Coal Severance Tax	8.849	8.854	8.480	8.041	17.703	16.521
Oil Severance Tax	8.146	6.392	6.768	7.531	14.538	14.299
Lottery Profit	6.564	5.424	6.537	6.464	11.988	13.001
Liquor Excise Tax	6.412	6.517	6.628	6.744	12.929	13.372
Nursing Facilities Fee	6.200	6.090	5.981	5.874	12.290	11.855
Telephone License Tax	5.773	6.052	6.344	6.650	11.825	12.994
Liquor Profits	5.400	5.582	5.667	5.754	10.982	11.421
Electrical Energy Tax	4.402	4.564	4.567	4.606	8.966	9.173
Investment Licenses	4.086	4.393	4.691	4.978	8.479	9.669
Highway Patrol Fines	3.801	3.965	4.136	4.314	7.766	8.450
Drivers' License Fee	2.828	2.846	2.242	1.925	5.674	4.167
Metalliferous Mines Tax	2.307	2.869	3.525	3.356	5.176	6.881
Contractors Gross Receipts Tax	2.291	2.573	3.176	3.520	4.864	6.696
Railcar Tax	2.054	2.110	2.130	2.153	4.164	4.283
Tobacco Tax	1.779	1.882	1.995	2.116	3.661	4.111
Long Range Bond Excess	1.746	0.456	0.432	0.410	2.202	0.842
Natural Gas Severance Tax	0.974	1.100	1.124	1.109	2.074	2.233
Wine Tax	0.930	0.982	1.039	1.099	1.912	2.138
Beer Tax	0.358	0.358	0.362	0.366	0.716	0.728
Vehicle Fee	0.000	0.000	0.000	0.000	0.000	0.000
Total General Fund	\$1,034.382	\$1,068.122	\$1,128.363	\$1,125.835	\$2,102.504	\$2,254.198
Residual Equity Transfers						
Fund Balance Adjustments						
Total General Fund	\$1,034.382	\$1,068.122	\$1,128.363	\$1,125.835	\$2,102.504	\$2,254.198

# REVENUE SUMMARY

It should be noted that the legislature discussed in detail the two significant issues shown in Table 10. By their formal actions, the legislature included the utility generation asset sale and "State Tobacco Settlement" funds in the revenue estimate for the 2001 biennium. The combined impact of these two revenue issues is \$96.8 million for the 2001 biennium.

## Revenue Impacts of Other Legislation

Table 11 shows the revenue impacts of legislation enacted by the Fifty-sixth Legislature. If more than one bill was enacted that impacts a given revenue source, the cumulative impact of the bills is shown for each revenue component.

Table 10 Significant Revenue Issues Action By 56th Legislature		
Revenue Issue	Legislative Action	Revenue Impact Millions
Utility Generation Asset Sale Included in Estimate		\$30.000
State Tobacco Settlement	Included in Estimate	<u>66.837</u>
Totals		\$96.837

Table 11 Revenue Legislation Impacts of 56th Legislature Total General Fund Figures In Millions						
Source of Revenue	Actual Fiscal 1998	Estimated Fiscal 1999	Estimated Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 98-99	Estimated Fiscal 00-01
Individual Income Tax		0.000	(0.050)	0.086		0.037
Property Tax		0.000	(16.493)	(41.542)		(58.035)
Corporation Income Tax		0.000	(0.105)	(0.105)		(0.210)
Common School Interest & Income		0.000	(0.151)	(0.368)		(0.519)
Permanent Trust Interest Earnings		0.000	0.093	(0.488)		(0.395)
Insurance Premiums Tax		0.000	0.000	(2.580)		(2.580)
All Other Revenue		0.000	0.062	0.043		0.106
US Federal Royalty						
TCA Interest Earnings		0.000	(0.143)	(0.243)		(0.386)
Inheritance Tax		0.000	0.000	(0.291)		(0.291)
Video Gaming Tax		0.000	0.000	0.094		0.094
Motor Vehicle License Fee		0.000	1.200	1.200		2.400
Institution Reimbursements						
Cigarette Tax						
Coal Severance Tax		0.000	(0.171)	(0.254)		(0.424)
Oil Severance Tax		0.000	(0.718)	(0.906)		(1.624)
Lottery Profit						
Liquor Excise Tax						
Nursing Facilities Fee						
Telephone License Tax		(0.011)	9.195	17.286	(0.011)	26.470
Liquor Profits						
Electrical Energy Tax		0.000	1.701	3.425		5.126
Investment Licenses						
Highway Patrol Fines		0.000	0.521	0.695		1.216
Drivers' License Fee						
Metalliferous Mines Tax		0.000	(0.137)	(0.131)		(0.268)
Contractors Gross Receipts Tax						
Railcar Tax						
Tobacco Tax						
Long Range Bond Excess		0.000	(0.171)	(0.167)		(0.339)
Natural Gas Severance Tax						
Wine Tax						
Beer Tax						
Vehicle Fee						
Total General Fund		(\$0.011)	(\$5.366)	(\$24.245)	(\$0.011)	(\$29.622)
Residual Equity Transfers		0.000	(0.812)	(2.803)		(3.616)
Fund Balance Adjustments		0.000	9.931	0.000		9.931
Total General Fund		(\$0.011)	\$3.753	(\$27.049)	(\$0.011)	(\$23.307)



# REVENUE SUMMARY

Table 12 shows the revised general fund revenue estimates by source which is merely HJR 2 estimates plus all

legislation impacts. These revised estimates are used in Tables 2, 3, and 5 in the General Fund Summary section.

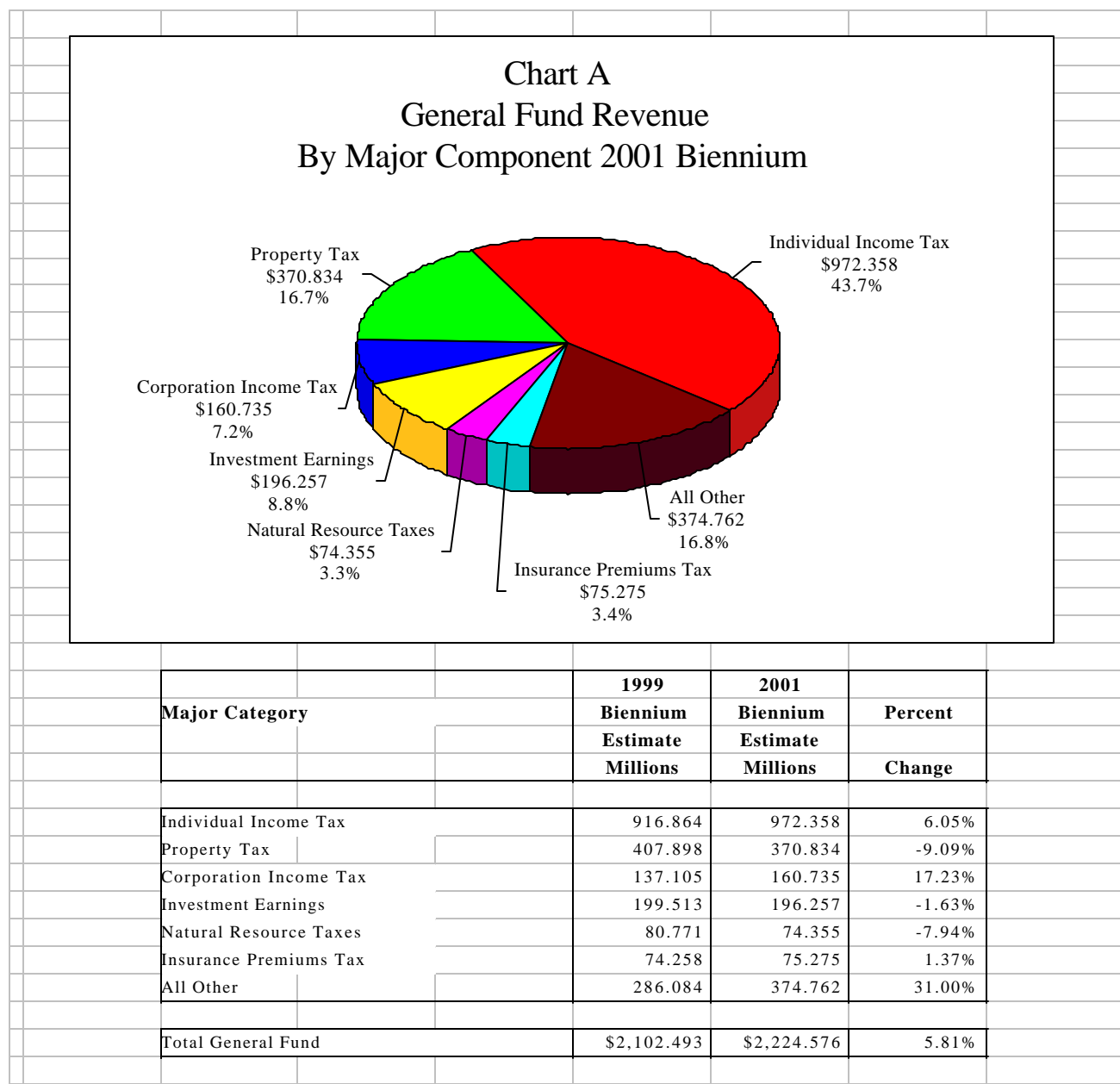
<b>Table 12</b> <b>House Joint Resolution 2 Plus Legislation Impacts</b> <b>General Fund Revenue Estimates</b> Figures In Millions						
Source of Revenue	Actual Fiscal 1998	Estimated Fiscal 1999	Estimated Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 98-99	Estimated Fiscal 00-01
Individual Income Tax	444.161	472.703	475.637	496.720	916.864	972.358
Property Tax	202.351	205.547	193.417	177.417	407.898	370.834
Corporation Income Tax	69.725	67.380	95.101	65.634	137.105	160.735
Common School Interest & Income	41.130	41.437	42.506	42.215	82.567	84.721
Permanent Trust Interest Earnings	40.746	40.528	41.115	41.453	81.274	82.568
Insurance Premiums Tax	36.813	37.445	38.629	36.646	74.258	75.275
All Other Revenue	25.428	31.235	55.557	47.507	56.663	103.065
US Federal Royalty	22.241	19.039	18.492	18.245	41.280	36.737
TCA Interest Earnings	18.247	17.425	14.478	14.490	35.672	28.968
Inheritance Tax	15.727	17.679	16.733	17.587	33.406	34.320
Video Gaming Tax	12.256	12.748	13.389	14.124	25.004	27.513
Motor Vehicle License Fee	10.778	10.957	12.391	12.606	21.735	24.997
Institution Reimbursements	10.335	11.314	9.697	10.041	21.649	19.738
Cigarette Tax	9.544	9.676	9.810	9.946	19.220	19.756
Coal Severance Tax	8.849	8.854	8.309	7.787	17.703	16.097
Oil Severance Tax	8.146	6.392	6.050	6.625	14.538	12.675
Lottery Profit	6.564	5.424	6.537	6.464	11.988	13.001
Liquor Excise Tax	6.412	6.517	6.628	6.744	12.929	13.372
Nursing Facilities Fee	6.200	6.090	5.981	5.874	12.290	11.855
Telephone License Tax	5.773	6.041	15.539	23.936	11.814	39.464
Liquor Profits	5.400	5.582	5.667	5.754	10.982	11.421
Electrical Energy Tax	4.402	4.564	6.268	8.031	8.966	14.299
Investment Licenses	4.086	4.393	4.691	4.978	8.479	9.669
Highway Patrol Fines	3.801	3.965	4.657	5.009	7.766	9.666
Drivers' License Fee	2.828	2.846	2.242	1.925	5.674	4.167
Metalliferous Mines Tax	2.307	2.869	3.388	3.225	5.176	6.613
Contractors Gross Receipts Tax	2.291	2.573	3.176	3.520	4.864	6.696
Railcar Tax	2.054	2.110	2.130	2.153	4.164	4.283
Tobacco Tax	1.779	1.882	1.995	2.116	3.661	4.111
Long Range Bond Excess	1.746	0.456	0.261	0.243	2.202	0.503
Natural Gas Severance Tax	0.974	1.100	1.124	1.109	2.074	2.233
Wine Tax	0.930	0.982	1.039	1.099	1.912	2.138
Beer Tax	0.358	0.358	0.362	0.366	0.716	0.728
Vehicle Fee	0.000	0.000	0.000	0.000	0.000	0.000
Total General Fund	\$1,034.382	\$1,068.111	\$1,122.997	\$1,101.590	\$2,102.493	\$2,224.576
Residual Equity Transfers	0.000	0.000	(0.812)	(2.803)	0.000	(3.616)
Fund Balance Adjustments	0.000	0.000	9.931	0.000	0.000	9.931
Total General Fund	\$1,034.382	\$1,068.111	\$1,132.116	\$1,098.786	\$2,102.493	\$2,230.891

## REVENUE SUMMARY

A complete “summary” of each general fund revenue source is also provided in Volume 1 of the “Legislative Fiscal Report 2001 Biennium”. Each “summary” provides information on the particular source of revenue including a description, applicable tax or fee rates, and distribution mechanisms. A legislation impact table (if applicable) is shown summarizing all bills that impact the particular source of revenue. A brief description of these bills is also provided. The final section of this summary shows total anticipated revenue including HJR 2 adjustments and relevant legislation impacts.

Chart A shows the revenue contribution to the general fund account by the most significant revenue components.

During the 2001 biennium, over 67.6 percent of total general fund revenue will come from income and property taxes while about 8.8 percent will be generated from investment earnings. Natural resource taxes are estimated to produce about 3.3 percent of total general fund revenue during the 2001 biennium. The information shown in Chart A illustrates the significant dependence the state has on income and property taxes to fund general government operations. In addition, the table below Chart A



shows the general fund account will receive an estimated

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# REVENUE SUMMARY

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\$196.3 million in the 2001 biennium from investment earnings. Although these revenues are due to the investment by the state of taxpayer dollars, these monies can be viewed as taxpayer savings or relief. Without these revenues, the state would either have to cut services, increase other revenues, or a combination of both.

## Summary of Tax Policy Initiatives

### Introduction

The Fifty-sixth Legislature enacted a number of tax policy initiatives that will have a significant impact on taxes paid by residential and commercial property owners. The extent of the actual tax relief provided will depend on the extent by which local taxing jurisdictions adjust mill levies. Other tax policy legislation reduced taxes on vehicle owners and the oil, coal and natural gas extraction industries. Since all of this legislation impacts the property tax base and/or the associated non-levy revenue distributions, the impact on state and local budgets was a major focal point of the legislature. This concern resulted in a new state general fund reimbursement mechanism for local taxing jurisdictions.

This section of the report summarizes the tax policy initiatives enacted by the Fifty-sixth legislature and the impact of the initiatives on the state general fund. A section in Volume 1 entitled “Tax Policy and Initiatives” provides an in depth summary of the legislative initiatives, the impact on state and local governments, and the impact on taxpayers.

### Tax Policy Legislation

The Fifty-sixth Legislature passed legislation that will substantially reduce property taxes for businesses, homeowners and light vehicle owners and will reduce production taxes for oil, natural gas and coal producers in tax year 1999 and beyond. As a result of these reductions, state general fund property tax revenue will decline by approximately 8.2 percent in fiscal 2000 and 19.5 percent in fiscal 2001, compared to the HJR 2 estimates for the same years.

The tax relief enacted by the Fifty-sixth Legislature is the result of several pieces of legislation. In short, the legislative package:

- cuts in half the tax rate on business equipment from 6 percent to 3 percent;
- phases-in over four years the elimination of the livestock property tax;
- phases-in over four years reappraisal of residential and commercial real estate;
- provides for a homestead exemption and a commercial real estate exemption, and reduces the tax rate on all class 4 property, which also will be phased in over four years;
- cuts in half the tax rate on electrical generating and telecommunications real estate and business property;
- reduces by 30 percent the tax on light motor vehicles and redistributes the remaining revenue;
- creates a new stripper exemption for oil production, an expanded definition of stripper oil production, and reduces rates on new oil and natural gas production;
- creates a new excise tax on the transmission of electricity and a new excise tax on telecommunications services in order to replace revenue reductions associated with the property tax base reductions;
- eliminates the telephone license tax;
- creates a new license tax on coal production and an offsetting reduction in the coal severance tax in order to redirect revenue from taxes on coal; and
- provides for partial reimbursement of local governments and schools and the university system.

Table 13 summarizes the impacts of the tax legislation on the state general fund. The impact on the statewide property tax base for each property tax bill is in the first panel. In tax year 2000, the tax base will fall \$312.7 million, a reduction of 19.5 percent from pre-legislative levels. One statewide mill will generate \$1.63 million, compared with its tax year 1998 value of \$1.94 million.

The second panel of the table shows the revenue reductions to the state general fund. The revenue reductions will not reflect a full year's worth of activity

# REVENUE SUMMARY

**Table 13**  
**Tax Policy Legislation**  
**(In Millions)**

<b>Property Tax Changes</b>	<b>TY99</b>	<b>TY00</b>	<b>TY01</b>	<b>TY02</b>
Statewide Changes in Taxable Values				
SB184 - Home and Business Real Estate	(\$76.1)	(\$89.0)	(\$90.5)	(\$91.4)
SB200 - Business Equipment Property	(41.0)	(111.3)	(121.1)	(130.7)
HB174 - Electrical Generating Property	-	(64.7)	(66.3)	(68.1)
HB128 - Telecommunications Property	-	(47.6)	(48.9)	(50.1)
<b>Total Change in Taxable Value</b>	<b>(\$117.1)</b>	<b>(\$312.7)</b>	<b>(\$326.8)</b>	<b>(\$340.3)</b>

<b>Property Tax Revenue Reductions - State General Fund</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>
Revenue Reduction 95 Mills				
SB184 - Home and Business Real Estate	(\$7.2)	(\$8.5)	(\$8.6)	(\$8.7)
SB200 - Business Equipment Property	(3.9)	(10.6)	(11.5)	(12.4)
HB174 - Electrical Generating Property	-	(6.1)	(6.3)	(6.5)
HB128 - Telecommunications Property	-	(4.5)	(4.6)	(4.8)
<b>Total Revenue Reduction 95 Mills</b>	<b>(11.1)</b>	<b>(29.7)</b>	<b>(31.0)</b>	<b>(32.3)</b>
Revenue Reduction 1.5 Mills	(0.0)	(0.4)	(0.4)	(0.4)
<b>General Fund Property Tax Revenue Reduction</b>	<b>(11.2)</b>	<b>(30.1)</b>	<b>(31.5)</b>	<b>(32.8)</b>
Oil & Gas Revenue Reduction (SB530,HB658,HB661)	(0.7)	(0.9)	(0.9)	(0.9)
Eliminate Telephone License Tax (HB128)	(3.2)	(6.7)	(7.0)	(7.3)
Motor Vehicle Revenue Reduction (SB260)	(5.3)	(11.4)	(12.0)	(12.6)
<b>Total Property and Motor Vehicle Reduction</b>	<b>(\$20.4)</b>	<b>(\$49.1)</b>	<b>(\$51.4)</b>	<b>(\$53.6)</b>

<b>New Tax Revenue - State General Fund</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>
Telephone Excise Tax (HB128)	\$12.4	\$25.9	\$27.2	\$28.5
Wholesale Energy Transaction Tax (HB174)	1.7	3.4	3.4	3.5
<b>Total New Tax Revenue</b>	<b>14.1</b>	<b>29.4</b>	<b>30.6</b>	<b>32.0</b>
<b>Net Revenue Impact on General Fund</b>	<b>(\$6.3)</b>	<b>(\$19.7)</b>	<b>(\$20.7)</b>	<b>(\$21.7)</b>

<b>State General Fund Reimbursements</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>
6 Mill Account - Total	\$1.3	\$3.0	\$3.2	\$3.3
Property Tax Reimbursement	0.7	1.8	1.9	1.9
Motor Vehicle Reimbursement	0.6	1.3	1.3	1.4
9 Mill Account - Total	0.1	0.2	0.2	0.2
Property Tax Reimbursement	-	-	-	-
Motor Vehicle Reimbursement	0.1	0.2	0.2	0.2
Local Governments and Schools - Total	17.6	57.2	61.5	64.1
Property Tax Reimbursement	12.9	54.9	57.4	59.8
BASE Aid for Schools	2.0	-	-	-
Motor Vehicle Reimbursement to Schools	-	2.2	4.1	4.3
Charter Cities and Industrial TIF's	2.8	-	-	-
<b>Total General Fund Reimbursements</b>	<b>19.0</b>	<b>60.4</b>	<b>64.9</b>	<b>67.6</b>
<b>Net Impact on General Fund -</b>				
Revenue Reductions and Reimbursements	(\$25.3)	(\$80.1)	(\$85.6)	(\$89.3)

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## REVENUE SUMMARY

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until fiscal 2001. The revenue reduction grows slightly during the 2003 biennium due to the continued decline in the livestock tax rate. The revenue reductions associated with the oil and natural gas legislation, the elimination of the telephone excise tax, and the motor vehicle tax rate cut are also shown.

The third panel shows new tax revenue to the general fund from the new telecommunications excise tax HB 128 and from the electrical energy tax HB 174. New tax revenues will recover 69 percent of the general fund revenue loss in fiscal 2000 and 60 percent in fiscal 2001. Also shown are

the estimates of the net revenue impacts of the legislative package on the general fund.

The last panel shows the state general fund reimbursements that will be made to various state and local accounts. Reimbursements are expected to grow by \$53.1 million in the 2003 biennium when compared to the 2001 biennium, an increase of 67 percent. The last line in the table shows the net impact of revenue reductions and reimbursements on the state general fund. The impact grows from \$25.3 million in fiscal 2000 to nearly \$90 million in fiscal 2003.

# APPROPRIATIONS SUMMARY

This section summarizes the major legislative appropriations for ongoing costs of operating state government. HB 2 (the general appropriations act) is the primary vehicle used by the legislature to provide these appropriations. However, the 1999 legislature made a number of substantive appropriations for the ongoing operation of state government in legislation other than HB 2. Therefore, in order to provide a more complete picture, three major appropriations not included in HB 2 have been included in the tables that follow and in all comparisons.

- SB 100 provides for an increase in K-12 funding totaling \$36.2 million over the biennium. Because it represents ongoing costs that will be included in the HB 2 present law in the next biennium, and because exclusion would not provide an accurate representation of K-12 education costs in the 2001 biennium, this appropriation has been added for this comparison
- SB 184 provides for a number of increases, including \$1.98 million to the Office of Public Instruction for BASE aid payments to schools. These funds are included in the tables. Appropriations in SB 184 for payments to local governments (including \$2.23 million in motor vehicle tax reimbursements to schools) do not appear in the tables. The bill is discussed in more detail in the "Tax Policy and Initiatives" section of Volume 1 of this report
- SB 81 provides for the Children's Health Insurance Program (CHIP) in the Department of Public Health and Human Services. Only the \$8 million general fund match for the program is included in this bill. All associated federal funds totaling \$21.3 million are included in HB 2

13, the pay plan bill, provides an increase in salary and insurance for most state employees, as well as a longevity adjustment for long-term employees. At the time of the writing of this report, the appropriation had not been allocated by fund source to individual agencies by the Office of Budget and Program Planning. However, these costs are ongoing, and will be considered general costs of operating the agencies in the 2001 and future biennia. Total cost of the pay plan in HB 13 is \$21.9 million general fund and \$46.1 million total funds. The impact of the pay plan appropriation on total general fund and other funds will be noted in the narrative that follows.

## Summary of Appropriations

The 1999 legislature appropriated a total of \$2.07 billion general fund and \$5.03 billion total funds in HB 2, SB 100, a portion of SB 184, and SB 81. These totals compare to \$1.97 billion and \$4.35 billion, respectively, in the 1999 biennium, for an increase of \$101.1 million general fund (5.1 percent) and \$674.4 million total funds (15.5 percent). Inclusion of the 2001 pay plan would increase these totals to \$123.0 million (6.3 percent) and \$720.5 million (16.6 percent), respectively. The following table highlights some of the areas of major funding changes. The table is followed by discussions of changes in the 2001 biennium appropriations from four perspectives:

- program area
- fund type
- expenditure type
- level of services (present law and new proposals)

Table 14 Major Increases 1999 Biennium to 2001 Biennium in Millions				
Component	General Fund	Percent of Total Inc	Total Funds	Percent of Total Inc
Total 1999 Biennium	\$1,967.268		\$4,350.525	
Corrections	23.710	23.5%	24.898	3.7%
Public School Funding*	20.362	20.1%	46.726	6.9%
Higher Education	13.228	13.1%	66.734	9.9%
Human Services	18.198	18.0%	176.243	26.1%
All Other	25.609	25.3%	359.780	53.3%
Total 2001 Biennium	\$2,068.375		\$5,024.906	
*Includes all increases in HB 2, as well as new proposals and additions contained in SB 100.				

One other major initiative of the legislature contained in another appropriation bill is not included in the tables. HB

# APPROPRIATIONS SUMMARY

## Appropriations by Program Area

Graph B shows general fund, by program area (pie chart), in the 2001 biennium, and details the changes (bar graph) from the 1999 biennium. Continuing a trend first established in the 1999 biennium, corrections receives the largest increase of the four major program areas separately listed. However, the size of the increase and its share of the total, while significant to the department's budget, are significantly smaller than in the 1999 biennium. Corrections' \$23.71 million and 23.5 percent share of the total increase of \$101.11 million compares to a 1999 biennium \$48.48 million increase and 52.1 percent share of the total general fund increase.

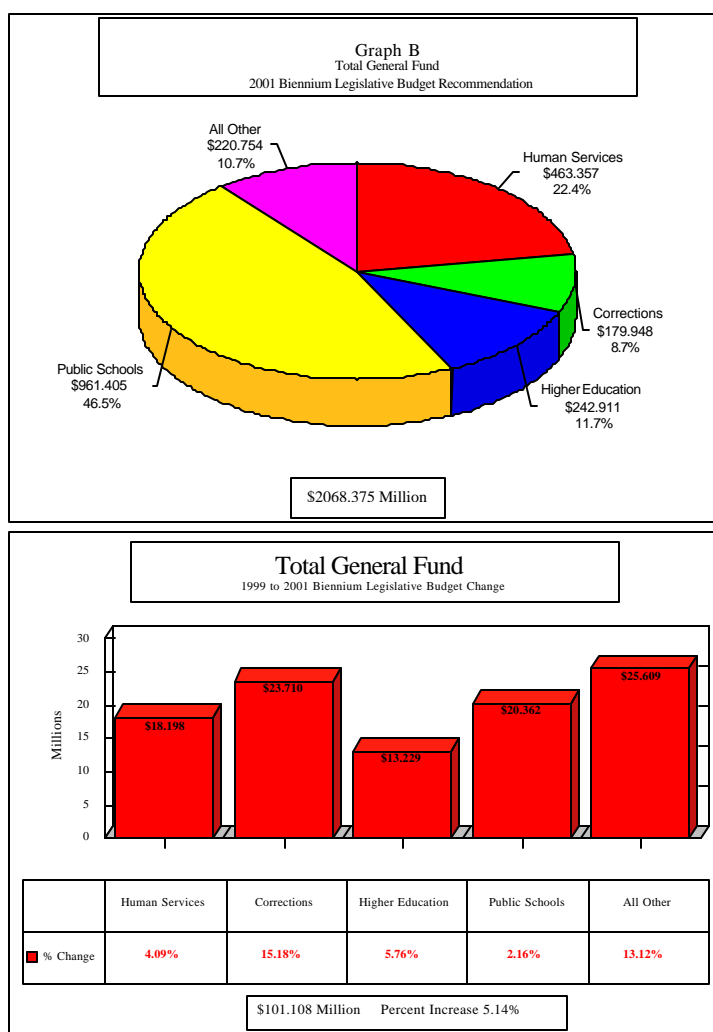
K-12 education and human services costs constitute over two-thirds of the state's general fund budget. Both of these areas are impacted by demographic and/or eligibility criteria tied closely to socio/economic factors that can be largely out of the control of state government (school enrollments and the number of persons who qualify for public medical assistance). Because of their size, small shifts in costs in both of these areas can have a major impact on increases in the cost of state government. Overall increases in the general fund budget in past biennia have been largely the result of increases in these two areas. Perhaps the most significant aspect of the 2001 biennium budget is that, with the exception of a portion of the Department of Corrections, the increases in the budget are largely of a discretionary nature. This shift has been possible because school enrollments are decreasing, and Medicaid expenditures are growing at a very slow rate. This shift in emphasis and cause of increase are illustrated in the following graph, which shows general fund appropriations in the 2001 biennium and the areas of growth from the 1999 biennium, by program area.

As shown in Graph B, contrary to past biennia, the largest increase in the general fund is in the "all other" category. This increase is due primarily to four factors:

- Funding switches in the Department of Natural Resources and Conservation from resource indemnity trust funds, and in the Department of Justice from highways state special revenue funds, to the general fund
- Provision of a new program in the Department of Military Affairs to establish a voluntary boot camp environment for at-risk youth
- Provision of funding for the MTPRRIME operations unit

- General increases in a number of agencies and full funding of personal services in all agencies funded with general fund

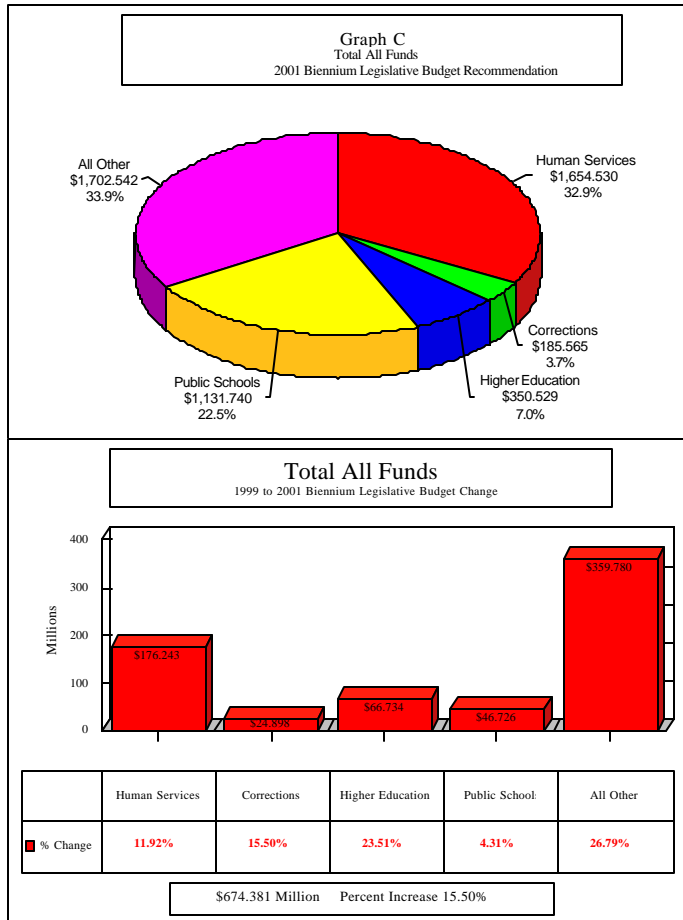
It should be noted that these increases are, with the exception of the new program in the Department of Military Affairs, generally not due to new initiatives or programs begun by the 1999 legislature. The major initiatives established by the legislature (and discussed more fully in the sections that follow) were generally made in K-12 and higher education and in human services.



# APPROPRIATIONS SUMMARY

## Appropriations by Program Area

Graph C details total funding from all funds, by program area (pie chart) in the 2001 biennium, and details the changes (bar graph) from the 1999 biennium. As shown in the lower bar graph portion, the legislature shifted overall funding toward general government in the “All Other” category primarily due to a large increase in federal funds from the new federal transportation funding bill.



Several of the major increases, by program area, are highlighted below. These areas represent over 92 percent of the total increase. While the legislature provided a number of increases across a large array of government, increases for highway construction and maintenance and for human services account for over half of the increase. Federal funds account for all of the increase in transportation and almost 95 percent of the increase in human services.

- The Department of Public Health and Human Services increases by \$176.2 million, primarily for increased Medicaid benefits, the Children’s Health Insurance Program, increased federal TANF expenditures, and refinancing of federal funds to provide additional services to developmentally disabled clients
- The Department of Corrections was increased by \$24.9 million, primarily to address the increasing adult male inmate population
- The Department of Transportation increases by \$189.7 million, primarily due to increased federal funds resulting from the new federal transportation funding act
- The Montana University System increases by \$66.7 million, of which about \$50 million is an accounting change. The legislature also provided additional funds for increased enrollment, and for student assistance, community college assistance, and non-beneficiary students at tribal colleges
- The Office of Public Instruction (K-12 education) received an additional \$46.7 million for increased BASE aid, special education, and school facilities payments, and for increased federal grants and related administration
- The Department of Environmental Quality received an additional \$65.6 million, of which \$57 million is state special revenue authority for hard rock mining reclamation in cases where bonds have been or may be forfeited
- The Department of Commerce received an additional \$26.7 million, primarily for increased federal HUD grants
- The Department of Labor and Industry was increased by \$15.6 million, in large part due to the provision of a federal welfare to work program and for a one-stop workforce center system
- The Department of Fish, Wildlife, and Parks received an additional \$11.7 million of state special and federal funds for a variety of purposes

A summary of the major areas of growth in each program area follows. The budgets are discussed in detail in the agency appropriations narrative contained in Volumes 1 and 2 of the Legislative Fiscal Report.



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## APPROPRIATIONS SUMMARY

### Appropriations by Program Area

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#### Department of Public Health and Human Services

Total funds for the Department of Health and Human Services increase \$176.2 million between the 1999 and 2001 biennia. Federal funds comprise \$166.2 million of the increase, due primarily to:

- \$96 million Medicaid caseload and cost increases, including a shift of about \$12 million in Medicaid costs from the general fund to federal funds due to the increase in the Medicaid benefit matching rate \$33.7 million of unexpended Temporary Assistance for Needy Families (TANF) block grant funds to fund TANF-related programs
- \$23.5 million for the Children's Health Insurance Program (CHIP)
- \$18.2 million to increase services for Montanans' with disabilities waiting for services or expanded services
- \$12.5 million in TANF funds to expand child care

General fund increases by a net of \$18.2 million over the biennium as compared to the 1999 biennium. The increase is due primarily to five factors.

- \$9.2 million for a direct care worker wage increase
- \$7.9 million for Medicaid cost and caseload increases
- \$7.0 million for increase tobacco prevention
- \$3.8 million for a 1 percent provider rate increase
- \$8 million for CHIP match and increased CHIP-related Medicaid increases

Partially offsetting the general fund increase is a reduction of \$9.6 million due to a reduction in the TANF maintenance of effort requirement and replacing general fund with TANF funds for foster care services.

State special revenue decreases \$8.2 million due to: 1) the elimination of the handling fee charged non-FAIM recipients who receive Child Support Enforcement Division (CSED) services; 2) a reduction in public assistance cases, which impacts the CSED state special revenue; and 3) reductions in the amount the mental health managed care company was anticipated to reimburse state institutions for care of the mentally ill.

#### Department of Corrections

The 2001 biennium budget for the Department of Corrections increased by \$23.7 million general fund and \$24.9 million all funds over the 1999 biennium budget. The increase is primarily to address a projected increase in adult male and female populations of 936 and 280, respectively, from the fiscal 1998 total to fiscal 2001 year end. The legislature approved over \$10.9 million for community based correctional programs and \$13.0 million for secure custody facilities. Functional areas of the budget receiving significant increases include the following.

- Pre-release was increased by \$7.2 million, adding a total of 167 new pre-release beds by the end of the 2001 biennium
- Probation and parole was increased by a total of 15.0 FTE (10.0 probation officers, 4.0 intensive supervision officers, and 1.0 transportation officer), a general fund increase of \$2.4 million
- Pine Hills Youth Correctional Facility was increased by \$1.7 million. Included in this increase are 13.0 new FTE in fiscal 2001 and 8.0 FTE to be transferred from Montana State Prison
- Funding for contract beds increases by \$5.8 million. Contract beds are used to contract with Montana's five regional prisons and privately operated prisons
- The Correctional Enterprises program received \$2.0 million as a result of the approval of HB 648, which requires the state to issue new license plates beginning in January 2001. This appropriation was made to allow the department to purchase the required materials to manufacture the new plates

#### Department of Transportation

The appropriations for the Department of Transportation increased 29 percent in the 2001 biennium compared to the 1999 biennium. The primary factor in the increase is the nearly \$100 million average annual increase Montana will receive from federal-aid construction funding authorized by Congress via the Transportation Equity Act for the 21st Century (TEA-21). Federal funding increased 57 percent from the 1999 biennium, while state funding

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# APPROPRIATIONS SUMMARY

## Appropriations by Program Area

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declined by nearly 3 percent. TEA-21 allows certain maintenance functions to be funded with federal funds. As such, the legislature shifted \$20.7 million of state funded maintenance functions to federal funding. This contributed to both the increase in federal funding and the decline in state funding.

### Higher Education

The statewide summary tables and charts in this volume include only the state general fund and other funds consisting of millage, Resource Indemnity Trust (RIT) funds, and federal funds in the budget of the Office of the Commissioner of Higher Education (OCHE), which are appropriated in HB 2. The tables and charts do not include tuition, interest, or agency federal funds, which are university funds that the legislature appropriated in language in HB 2. Detailed biennial comparisons for the university units, including university funds, are detailed in the Higher Education narrative in Section E, Volume 2 of this publication. Generally, the general fund, millage, and RIT funding for the campuses and the public service/research agencies increased by 3.6 percent from the 1999 biennium to the 2001 biennium, while the university funds increased by 5.7 percent in the same period.

The legislature increased all general fund spending for the university system by \$13.2 million or 5.8 percent from the 1999 to the 2001 biennium. These increases included: 1) \$3.0 million for the Montana Tuition Assistance Program (MTAP); 2) \$1.3 million for increased funding for community colleges; 3) \$0.8 million to fund nonbeneficiary students in tribal colleges; and 4) \$8.1 million primarily for present law adjustments, including enrollment increases.

Total state funds spending authority, including general fund, increased by \$66.7 million or 23.5 percent from the 1999 to the 2001 biennium. When university funds are included the total current unrestricted funding spending authority for the entire university system increased by \$79.3 million or 15.7 percent during the period. Nearly \$49 million of the \$79.3 million increase is the result of a change in the method of accounting for federal funds in the Guaranteed Student Loan program. It does not represent new funds (see "Guaranteed Student Loan Program" discussion in the Office of the Commissioner of Higher Education section, which is in Volume 2 of this publication).

### K-12 Education

General fund to support K-12 education increased by \$20.4 million from the 1999 biennium to the 2001 biennium. This increase is primarily the net result of:

- a projected reduction of 9,385 elementary average number belonging (ANB) and an increase of 58 high school ANB (which reduced the general fund budget by about \$20.9 million from the 1999 biennium)
- increases in state aid to K-12 districts in HB 2, SB 100, and SB 184

HB 2 provides for a number of increases, including an additional \$1.5 million each for special education and school facility reimbursements. The legislature also provided \$800,000 to continue the improving Montana schools project.

SB 100 increased the per-ANB payments by 3.5 percent for elementary districts and by 1.0 percent per year for high school districts. The bill also increased the direct state aid's share of each district's BASE general fund budget from 40 percent to 41.1 percent in fiscal 2000 and 41.8 percent in fiscal 2001. General fund of \$36.2 million was added to implement this bill, including \$1.4 million for special education.

SB 184 makes a general revision of property taxes, and results in changes in state guaranteed tax base obligations. General fund totaling \$1.98 million was added for this adjustment.

Total funds to support K-12 education increase by \$46.7 million. The additional funds are primarily additional federal grants for: 1) existing programs; 2) additional teachers to reduce class sizes; 3) school to work initiatives; and 4) comprehensive school reform.

### Department of Environmental Quality

The department's 107 percent increase in total funding is due to large increases in general fund and state special revenue appropriations. Notable general fund present law adjustments and new proposals totaling \$1.1 million over the biennium include: 1) database development - \$250,000; 2) total maximum daily loads - \$653,900; and 3) Pegasus/Apollo Gold reclamation bond litigation \$194,000. The large increase in state special revenue is mostly due to the \$57.0 million appropriated for hard rock mining reclamation in

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## APPROPRIATIONS SUMMARY

### Appropriations by Program Area

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cases where bonds have been or may be forfeited.

#### Funding Switches

The legislature made a number of funding switches. The major adjustments are described below:

- Resource indemnity trust funds in the Department of Natural Resources and Conservation for program administration were replaced with general fund totaling about \$6.5 million over the biennium
- Highways special revenue account funds for prisoner per diem in the Department of Justice totaling over \$2 million over the biennium were replaced with general fund
- About \$1.3 million over the biennium of general fund was added to the Child Support Enforcement Bureau in the Department of Public Health and Human Services to replace the handling fee that had been charged to non-welfare clients in the 1999 biennium
- General fund of over \$7.0 million to support the Trust Lands Management Division in the Department of Natural Resources and Conservation was replaced with income from the trusts

# APPROPRIATIONS SUMMARY

## Appropriations by Fund Type

The previous discussion looked at the budget in terms of program areas. The following narrative discusses the appropriation in terms of type of fund. Graph D shows the breakdown of funding by fund type as passed by the legislature (pie chart). It also compares funding in the 1999 biennium to the 2001 biennium appropriation (bar graph).

As shown in the pie chart, general fund is over 41 percent of state appropriated funds. Federal funds comprise over 43 percent and state special revenue comprises 15.6 percent.

The bar graph shows that the increases by fund type are dominated by increases in federal special revenue, which increases by 30.8 percent, compared to total funds growth of 15.5 percent. As a result, federal funds, which had been

increases in the Department of Transportation, alone (\$199.1 million). The \$511 million increase in federal funds represents over 75 percent of the total state budget increase.

The following sections discuss each fund type.

### General Fund

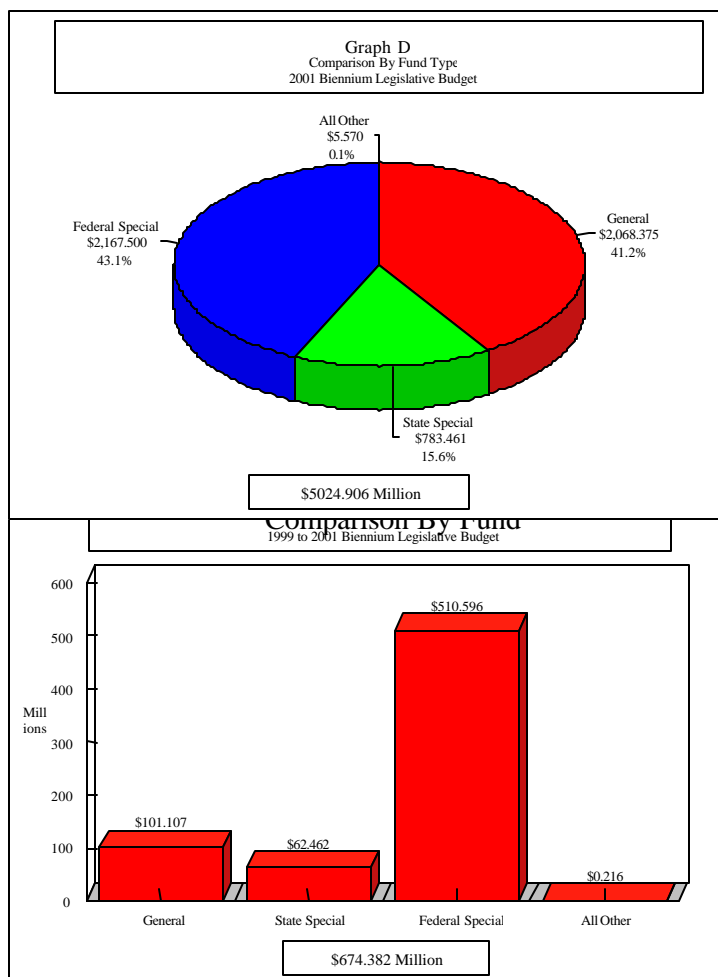
As stated, general fund increases are across a broad array of state government, with the largest increases occurring in:

- The Department of Corrections, primarily to deal with additional adult male inmates
- K-12 education as a net result of decreases in enrollment and an increase in the BASE aid schedule payments
- The Department of Public Health and Human Services for a number of services, including the state match for the Children's Health Insurance Program
- Higher education for increased enrollment and increased levels of support for various programs
- Funding switches in several programs

### State Special Revenue

State special revenue increases by \$62.5 million, or 8.7 percent. This net increase is due to a number of adjustments that both increased and decreased state special revenue in a number of agencies. The most significant changes are:

- An increase of \$57.8 million in the Department of Environmental Quality, of which \$57 million is authority for reclamation activities when the bond has been forfeited
- An increase of \$6.6 million in the Department of Labor and Industry, primarily for a funding switch that changed the classification of certain uninsured employer benefits from proprietary to state special, increased workers' compensation assessment funds, and a reallocation to employment security funds
- An increase of \$4.4 million in the Department of Fish, Wildlife, and Parks for a variety of new initiatives
- A decrease of \$9.3 million in the Department of Transportation, largely because additional federal funds are available for construction and maintenance
- A decrease of \$8.2 million in the Department of Public Health and Human Services, significantly due to the downsizing of Montana State Hospital
- A decrease of \$4.4 million in the Montana University System due to lower 6 mill levy revenue estimates than were used in fiscal 1999



38.1 percent of the 1999 biennium budget, now constitute over 43 percent of the 2001 biennium budget. While the general fund increase totals over 5 percent, the total dollar amount of \$101.1 million is dwarfed by federal fund

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## APPROPRIATIONS SUMMARY

### Appropriations by Fund Type

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#### Federal Funds

As stated, federal funds show the largest increase of any fund type – \$510.6 million, or 30.8 percent. Increases in 5 areas account for almost 93 percent of this increase. Increases in two departments – the Department of Transportation and the Department of Public Health and Human Services – account for over 71 percent of the increase.

- The Department of Transportation sees an increase of \$199.1 million, primarily due to the new federal transportation funding act (TEA-21)
- The Department of Public Health and Human Services receives an additional \$166.3 million for a variety of purposes, the most significant of which are increased Medicaid caseload and an increased federal participation rate, the new Children's Health Insurance Program, federal refinancing to provide more services to developmentally disabled clients, and increased TANF expenditures

- Higher education is provided an additional \$57.9 million, almost \$50 million of which is due to an accounting change
- The Department of Commerce receives an additional \$24.0 million, in large part due to additional HUD grants
- K-12 education receives an increase of \$26.3 million, primarily for increased grants and related administration, including \$5.1 million for school-to-work and \$5.6 million for additional teachers to reduce class sizes

#### Other Funds

Other funds consist of appropriated proprietary funds, capital project funds, and expendable and nonexpendable trust funds. Other funds total \$5.57 million in the 2001 biennium, with an increase of only \$216,000.

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# APPROPRIATIONS SUMMARY

## Appropriations by Expenditure Type

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Prior discussion examined the highlights of the 2001 appropriations by program area and fund type. A discussion of changes by type of expenditure category follows.

### Personal Services

Personal services increase by \$26.6 million in the 2001 biennium, or 3.5 percent. If the pay plan funded in HB 13 (including the personal services contingency) is included, the increase is \$72.7 million, or 10.2 percent. Personal services will increase for a number of reasons, including:

- The provision of full funding for all positions, minus any vacancy savings. As discussed more fully under “Vacancy Savings” in the “Other Budget Highlights” section of this volume, the legislature applied a 3.0 percent vacancy savings rate to most positions in the 2001 biennium
- Annualization of the 1999 biennium pay plan.
- Any change in the number of FTE for which funding was provided. As discussed more fully in the section entitled “State Employees – FTE” in the “Other Budget Highlights” section of this volume, the legislature added a net total of 191.81 FTE in fiscal 2001 compared to the fiscal 1999 level, including 301.05 FTE to the Department of Transportation (several agencies had net reductions in FTE, including 121.7 FTE still on staff but no longer on budget in the Department of Revenue)
- Any upgrades or downgrades awarded

### Operating Expenses

Operating expenses increase by \$237.2 million, or 24 percent. This high growth rate is primarily attributable to the following factors:

- Construction contracts let by the Department of Transportation are recorded as operating expenses. The department’s total operating expenses increase by \$159.1 million, primarily due to additional contracts from the higher federal funding levels
- Bond forfeiture reclamation work in the Department of Environmental Quality is recorded as operating expenses. The budget was increased by \$57 million for this purpose
- The Department of Corrections will contract with providers to house and provide services to inmates. This department’s overall operating expenses increase by \$20.3 million, in large part due to these contracts

- The Department of Public Health and Human Services has a reduction of \$52.8 million, primarily because the mental health managed care contract was requested and appropriated as contracts in the 1999 biennium. Expenses to provide mental health services will more appropriately be paid in the benefits category in the 2001 biennium

### Equipment

Equipment shows a large increase (\$6.2 million and 44.6 percent), in large part due to increased equipment purchases in the Department of Transportation.

### Local Assistance

This category is the one from which K-12 BASE aid payments are made. The increase of \$24.2 million is the net of a reduction in payments due to enrollment declines and the increase provided in SB 100 and SB 184.

### Grants

Grants increase by \$88.0 million (25.7 percent). The change is dominated by three factors.

- provision of additional federal grants for K-12 education
- provision of additional federal HUD grants in the Department of Commerce
- provision of various additional grants in the Department of Public Health and Human Services.

### Benefits

Benefits increase by \$259.7 million, or 24.7 percent. Almost \$50 million of this increase is due to an accounting change in the Montana University System. The increase is dominated by benefit increases in the Department of Public Health and Human Services, including: 1) additional Medicaid benefits; and 2) appropriation of mental health services expenses from this category rather than contracts, as was done in the 1999 biennium.

# APPROPRIATIONS SUMMARY

## Appropriations by Level of Services

Appropriations have been examined by program area, fund type, and types of expenditure. This section discusses changes by level of service, or present law and new proposals. Statute requires that budgets must be submitted using the concepts of present law and new proposals. Table 15 shows the addition made by the legislature by type of service in the 2001 biennium.

Table 15 Present Law Adjustments and New Proposals 2001 Biennium* in Millions		
Component	2001 Biennium General Fund	2001 Biennium Total Funds
Total 1999 Biennium	\$1,967.27	\$4,350.53
Present Law Adjustments	50.69	283.79
New Proposals	<u>50.42</u>	<u>390.59</u>
2001 Biennium	\$2,068.38	\$5,024.91
*Includes SB 100, SB 81, and a portion of SB 184 in new proposals		

### Present Law Adjustments

Present law is defined in statute as “the level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature...” Since present law is, by definition, for those changes in costs due primarily to workload/caseload issues, most adjustments should be minor. For most agencies, present law adjustments are not a large part of the budget and will only be significantly due to fully funding all positions and phasing in legislatively approved pay plan. In the 2001 biennium, the imposition of new fixed costs to fund the MTPRRIME operations unit and to pay for MTPRRIME bonding costs over the entire biennium also add to the present law costs of all agencies. However, other agencies will potentially have more significant present law adjustments for work and caseload related expenditures due to the mission of the agency. For example, any growth in Medicaid caseload and cost of service will be reflected in present law. The same is true for increases in the number of inmates committed to the Department of Corrections and changes in K-12 enrollment.

### General Fund Present Law Adjustments

Present law increases total \$40.8 million general fund (a 2.1

percent increase over the 1999 biennium). Present law adjustments in 5 agencies account for almost 80 percent of this increase. As in the last two biennia, the Department of Corrections dominates the present law increases.

- The Department of Corrections adds \$19.7 million, primarily for increases in adult male offenders
- Higher education adds \$37.0 million. Please note, however, that this figure is misleading. Of this total, about \$28 million is to replace 6 mill levy revenue with general fund. This move was made due to the initial passage of CI-75, which would have required another vote on the 6 mill levy. A corresponding decrease in the 6 mill levy was also made. This action was countered with a reversal in new proposals, also skewing that comparison. The primary remaining increases were made to address enrollment increases, fixed costs and annualization of pay plan, and increased student assistance
- The Department of Natural Resources and Conservation adds \$9.7 million, due primarily to a funding switch that replaced resource indemnity trust funds in several programs with general fund

These increases were partially offset by decreases in two agencies:

- The Department of Public Health and Human Services experiences a decrease of \$5.4 million, due primarily to a change in the federal matching rate that increases the federal participation in Medicaid costs and low Medicaid growth rates
- K-12 education is reduced by \$20.9 million due to projected decreases in enrollments

Costs in these two agencies are largely driven by factors that can be significantly beyond the state’s control: the growth in Medicaid caseload and costs, and changes in enrollment. Due to the overall size of these functions in relation to total general fund and the potential for growth, changes in these areas have largely driven (and monopolized) present law growth in previous years. The uncharacteristically low Medicaid growth rates, the higher federal participation rate, and the declining K-12 enrollments meant that the legislature was not faced with funding increases in these areas, freeing up funds for other areas and contributing to the low growth in general fund present law expenditures compared to past biennia. Also, please note that, if the higher education increase due to CI-75 is not included, the increase in general fund present law would be less than \$13 million, or about 0.06 percent.

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# APPROPRIATIONS SUMMARY

## Appropriations by Level of Services

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### All Funds Present Law Adjustments

Present law adjustments for all funds total \$244.8 million (a 5.6 percent increase). Present law adjustments in 4 agencies account for almost 85 percent of the increase.

- The Department of Transportation increases by \$164.3 million, due primarily to additional federal construction and maintenance funds as a result of the passage of the new federal highways funding bill
- The Department of Environmental Quality adds \$61.7 million, of which \$57 million is state special revenue authority for hard rock mining reclamation in cases where bonds have been or may be forfeited
- The Department of Corrections increases a total \$20.4 million, largely to address increases in the population of adult male inmates
- K-12 education appropriations decrease by \$7.8 million, primarily as a result of the net of enrollment decreases noted above and the addition of federal grants and related administration

### New Proposals

New proposals are defined in statute as “requests to provide new nonmandated services, to change program services, to eliminate existing services, or to change sources of funding...” Both general fund and total funds are dominated by increases given for K-12 education and a variety of purposes in human services. New proposals in general are highly concentrated in a small number of agencies.

### General Fund New Proposals

General fund new proposals total \$44.6 million. Changes in 6 agencies account for over 88 percent of the increase.

- K-12 education was increased by \$42.2 million, primarily for an increase in school funding contained in SB 100 and SB 184. The legislature also increased school facility payments and added funds for special education and improving Montana schools
- Increases in PHHS totaling \$23.6 million are for a number of purposes, including provider rate increases, direct care worker wage increases, tobacco prevention and control, and the Children’s Health Insurance Program. These increases are partially offset by reductions in the TANF maintenance of effort and shifting of some TANF costs to federal funds

- The Department of Corrections increases \$4.0 million. The most significant adjustments are for additional probation and parole staff, an increase in beds at Pine Hills, a 40 bed pre-release center, and new license plates (manufactured at the prison)
- The increase of \$4.2 million in the Department of Justice is for a variety of purposes, the most significant of which is a funding switch from highways special revenue to general fund in the highway patrol jail per diem
- Higher education experiences a decrease of \$23.7 million. However, as with the increase in present law, this adjustment is misleading, as the offsetting reduction in general fund added in a present law adjustment in response to the initial passage of CI-75 was made in a new proposal. This action reduced general fund by over \$30 million. The significant increases provided to the university system include increases for student assistance, community college support and fee waivers, and funding to provide non-beneficiary student assistance to tribal colleges
- The Department of Natural Resources and Conservation decreases by \$5.6 million, primarily due to a switch in funding of the Trust Lands Management Division from general fund to revenues from the managed trusts

### All Funds New Proposals

New proposals for all funds total \$347.0 million. New initiatives in human services and K-12 education account for over 65 percent of this increase. Increases in 6 agencies account for almost 90 percent of this total.

- PHHS is increased by \$171.9 million. Among the more significant increases are the Children’s Health Insurance Program, increased TANF expenditures, provider rate increases, provision of developmental disabilities services to more clients due to refinancing, additional child and adult protective services employees, tobacco prevention and control, and direct care workers wage increases
- K-12 increases by \$54.5 million due to increases in the statutory BASE aid schedules, increased school facilities payments, and increased federal grants and related administration
- The Department of Transportation received an additional \$25.5 million for a variety of additions, including new federal funding and enhanced computer systems
- The Department of Commerce adds \$19.8 million, primarily for federal HUD grants. This increase does not



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## APPROPRIATIONS SUMMARY

### Appropriations by Level of Services

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include research and commercialization funds appropriated in SB 184

- The Department of Labor and Industry received an additional \$13.8 million, primarily for welfare to work and a one-stop workforce center system

- The university system received an additional \$61.8 million. Of this total, about \$50 million is due to an accounting change. The university system also received additional funding for a student assistance program, family practice residency, and community college assistance

Please note that the 2001 pay plan is not included in these figures. If the pay plan were included, new proposals would total \$66.6 million general fund and \$393.1 million total funds.

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## COMPARISON TO THE EXECUTIVE

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The legislature passed a general fund budget in HB 2, SB 81, SB 100, and a portion of SB 184 that is \$0.4 million general fund lower and \$73.6 million total funds higher than proposed by the executive in HB 2. The major differences are shown in Table 16 on the following page. However, these numbers are somewhat misleading for two reasons:

- 1) The overall difference, while small, represents a number of offsetting changes
- 2) While not included in the Executive Budget's HB 2 request, the executive either endorsed or included a number of the adjustments made by the legislature in other bills. Below are listed the additions made by the legislature and endorsed by the executive. Please note that the amounts that the executive endorsed or included in other bills may have differed from the final amounts determined by the legislature:
  - Tobacco settlement funds for prevention and education
  - Direct care workers' wages
  - Children's Health Insurance Program (CHIP)
  - Medicaid caseload reductions
  - Chemical dependency and treatment federal funds
  - The switch in funding for the Trust Lands Management Division
  - Conservation easements in the Department of Agriculture. The executive had proposed spending \$4.0 million for this purpose, compared to the \$1.0 million provided by the legislature.

If these programs were included in the Executive Budget, the general fund reduction by the legislature from the request would have totaled over \$23 million, and the total fund increase would have been over \$31 million.

It should also be noted that many of the economic development programs requested by the executive were funded in whole or in part in HB 260 using a portion of coal tax income. Therefore, the reduction from the executive for those purposes is overstated. For a further discussion of economic development initiatives adopted by the legislature, please see that narrative in the "Other Budget Highlights" section.

### Differences by Function

The following discusses major differences in several functional areas. The narrative also includes a discussion of the state employee pay plan and debt service, neither of which is included in HB 2.

#### Human Services

The legislative appropriation for the Department of Public Health and Human Services (including SB 81) is \$33.9 million total funds higher over the biennium than the printed Executive Budget. General fund is \$14.7 million general fund higher. The most significant change was the addition of \$8.0 million general fund and \$30.4 million federal funds to support the Children's Health Insurance Program (CHIP) and Medicaid expansion due to CHIP outreach. (The \$8.0 million general fund appropriation to match the federal funds is included in SB 81.) Other significant changes include:

- direct care worker wage increases of \$8.7 million general fund and \$12.5 million other funds
- \$7.0 million general fund for expanded tobacco control and prevention funded by tobacco settlement funds
- federal grant increases for chemical dependency prevention and treatment of \$3.7 million
- \$826,000 general fund to offset a like amount of state special revenue, since the department can no longer charge handling fees for child support enforcement

The increases approved by the legislature were offset by reductions to the executive proposal. Major reductions made by the legislature are:

- Medicaid caseload reductions of \$4 million general fund and \$12 million federal funds
- foster care and subsidized adoption caseload reductions of \$1.0 million general fund and \$0.3 million other funds
- reduction in TANF block grant new proposal of \$12.4 million federal funds
- FTE reductions in new proposals in 8 divisions of 22.5 FTE, \$713,034 general fund, and \$435,427 other funds
- reductions of about \$500,000 general fund and \$1.6 million total funds for the elimination of the 1 percent rate increase for hospitals because the reimbursement rebase added more than a 1 percent increase for services
- FTE reductions in present law in one division of 6.0 FTE and \$860,589 other funds

## COMPARISON TO THE EXECUTIVE

Table16 Comparison of Legislative Budget to Executive Budget Major Differences, by Function HB 2, SB 81, SB 100, and a Portion of SB 184 In Millions		
Component	General Fund	Total Funds
Executive HB 2	\$2,068.8	\$4,951.3
Human Services		
Tobacco Settlement*	7.0	
Direct Care Workers Wages*	8.7	21.2
Children's Health Insurance*	8.0	30.4
Chemical Dependency and Treatment*		3.7
Child Support Fee Replacement	0.8	
Medicaid Caseloads*	-4.0	-16.0
Foster Care Caseloads	-1.0	-1.3
Reduction in TANF Block Grant		-12.4
Other Adjustments	-4.8	8.2
Corrections		
Probation and Parole	-2.2	
Secure Care	-1.4	
Pre-release	-1.2	
Other Reductions	-1.5	
New License Plates	2.1	
K-12 Education		
Schedule and Special Education Adjustments	7.5	
Higher Education		
Non-Beneficiary Students	0.8	
Community College Support	1.3	
Economic Development**		
Eliminate Quality Improvements (MUS)	-3.0	
Eliminate Research & Econ Dev New Proposals (MUS)	-6.2	
Vision 2005 (Agriculture)	-3.0	
Various (Commerce)	-3.8	
Transportation		
General Adjustments		5.2
Natural Resources		
Switch Funding Trust Lands Management (DNRC)*	-7.1	
Conservation Easements (Agriculture)***	1.0	
Various Adjustments (FWP)		3.4
Bond Forfeitures (DEQ)		42.0
Superfund Other Sources (DEQ)		-14.7
Military Affairs		
Challenge Program	1.6	5.4
All Other Net Adjustments	0.0	-1.5
Total HB 2, SB 81, SB 100, SB 184 (portion)	\$2,068.4	\$5,024.9
*Endorsed by executive or included by executive in other bills.		
**Economic development was addressed in other legislation with other funding sources.		
***Executive Budget included \$4.0 million in other legislation.		

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## COMPARISON TO THE EXECUTIVE

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Direct care worker wage increases is a significant policy decision as well as a significant appropriation change. The executive requested the wage increase appropriation, but the executive's decision to add direct care worker wage increases was made after the Executive Budget was printed.

In addition, the appropriation for CHIP was proposed by the executive but not included in HB 2, as the executive had planned to request this funding in other legislation. Since legislative action is compared to the printed Executive Budget, approval of the direct care worker wage increase and CHIP show as an addition made by the legislature. If the printed Executive Budget had included these proposals, the legislative changes made to the DPHHS budget would have equaled a net reduction of \$2.1 million general fund over the biennium.

### Corrections

The net decrease of \$4.2 million from the Executive Budget reflects the net of an increase of \$2.1 million for new license plates that was not envisioned by the executive and a reduction of \$6.3 million from the budget requested. It should also be noted, however, that the legislature provided a \$1.0 million appropriation to the Office of Budget and Program Planning for vacancy savings and an emergency contingency account. The major reductions occurred in:

- Probation and parole, where the legislature added 15.0 FTE compared to the requested 43.0 FTE (\$2.2 million)
- Secure care in Montana State Prison, where 23.0 FTE were removed (\$1.4 million)
- Pre-release to correct a budget error and outside medical costs to provide a lower than requested percentage increase (\$1.2 million)

The legislature generally concurred with the executive's proposals to address the projected increase in adult male and female populations, including expansion of community corrections, construction of a reception area at Montana State Prison, and expansion of the women's prison.

### K-12 Education

The difference between the aid to K-12 education proposed by the executive and the level funded by the legislature is due to the following:

- Inclusion by the legislature of an additional \$2.8 million for special education, compared to the executive requested \$1.5 million general fund
- The addition of \$2.0 million by the legislature in increased guaranteed tax base aid due to the passage of

legislation adjusting property taxes

- The net impact of funding a 1.0 percent increase each year in per-ANB payments to high schools as opposed to the executive requested 1.5 percent, and the provision by the legislature of an increase in the direct state aid percentage from 40.0 percent in the 1999 biennium to 41.1 percent in fiscal 2000 and 41.8 percent in fiscal 2001

### Higher Education

The legislature reduced the executive general fund request for the Montana University System (MUS) by over \$6.5 million and increased other funds by \$1.8 million, for a net biennial reduction of \$4.7 million in HB 2 line item and language appropriations. In a change from prior years when all funds were appropriated in line items, the legislature appropriated only state and state-controlled funds in line items, and it appropriated university-controlled funds, such as tuition and interest, in language.

General fund changes to the Executive Budget included:

- eliminating \$3.0 million for quality improvements in technology and library resources
- eliminating \$6.2 million for the executive new proposals for research and economic development
- adding \$1.3 million for increased support for community colleges
- adding \$0.8 million for support of non-beneficiary students in tribal colleges
- increasing general fund by a net of \$0.6 million through several smaller adjustments throughout the MUS

In other major action, the legislature approved an Executive Budget increase in tuition spending authority so that the MUS could increase tuition by an average of 4 percent annually.

However, the legislature adjusted personal services downward to correct a technical error, which released approximately \$5.3 million tuition over the biennium for other purposes. The legislature then: 1) reduced tuition revenue estimates and biennial spending authority by \$1.3 million when it approved lower nonresident enrollment estimates provided by the MUS; and 2) increased lump-sum tuition spending authority by nearly \$4.0 million for additional maintenance and operation expenditures on the campuses

### Transportation

The Executive Budget proposed a total biennium budget of \$867.7 million (total funds) for the Department of

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## COMPARISON TO THE EXECUTIVE

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Transportation. The legislature approved a budget of \$872.9 million, or \$5.2 million more than the executive requested.

The executive included a total of 1,977.18 FTE (fiscal 2001), while the legislature approved funding for 2,120.66 FTE (fiscal 2001), or 143.46 FTE more. This difference is attributed to the following factors:

- the agency altered a present law adjustment that was tied to the federal-aid construction program (the altered adjustment was \$6.6 million lower than the adjustment as originally submitted)
- the agency withdrew five adjustments for a net reduction of \$385,500
- the legislature denied one present law adjustment and three new proposals for a net reduction of \$270,848
- the legislature approved spending authority for fiscal impacts of “cat-and-dog” legislation, one new request that was not in the executive request, and a statewide fixed cost rate reduction for a net increase of \$14.6 million
- the legislature modified 19 requests for a net reduction of \$2.2 million
- the legislature approved a funding shift that moved \$20.7 million of authority from state special revenue to federal special revenue, but had no net fiscal impact.

For the biennium, state special revenue is \$13.2 million lower in the legislative budget than was proposed in the Executive Budget. Federal special revenue is \$18.4 million higher in the legislative budget than in the Executive Budget.

The department has only \$500,000 general fund budget authority, which has not changed from the Executive Budget.

### Pay Plan

The executive included a total of \$19.5 million general fund and \$47.0 million total funds to implement a state employee pay plan in the 2001 biennium. The bill as introduced by the executive included \$21.9 million general fund and \$47.7 million total funds. The legislature provided the requested general fund appropriation after the net of: 1) imposition of a 3.0 percent vacancy savings on all increases except insurance; and 2) the addition of funds to provide an increase in insurance contributions for university system employees on July 1, rather than January 1, as provided to all other state employees. Total funds were reduced by \$1.6 million due to imposition of vacancy savings and the university system adjustment, as well as removal of all funding added to provide pay plan increases for proprietary funded positions, which do not require an appropriation.

### Debt Service

The Executive Budget included a total of \$5.1 million in new general fund debt service payments for the 2001 biennium.

Of that amount, \$2.0 million was to fund debt service payments for Long-Range Building Program (LRBP) bonds authorized in HB 14 and \$3.1 million for information technology (IT) bonds approved in HB 15.

The actual new general fund debt service budgeted by the Fifty-sixth Legislature for the 2001 biennium totals \$3.6 million. This includes \$2.1 million for LRBP debt service and \$1.5 million for IT debt service. The increase in the 2001 biennial debt service costs for the LRBP is primarily due to bond issuance timing differences between the Executive Budget and final legislative action. The reduction in IT debt service costs reflects the legislative decision to reduce the Executive Budget for IT bonding projects from \$25 million to \$18.8 million.